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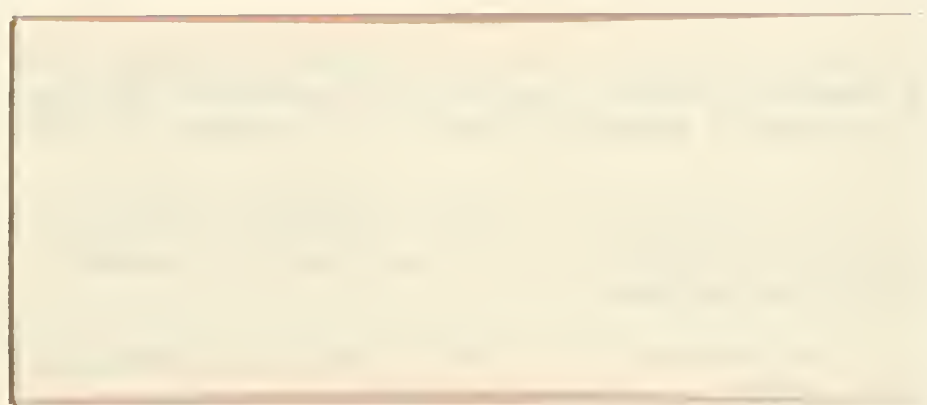
AN ANALYTICAL SCHEME FOR THE ASSESSMENT OF A DIVERSIFIED COMPANY'S CORPORATE PLANNING SYSTEM: NEEDS; CAPABILITIES; EFFECTIVENESS

Peter Lorange

WP 964-77

December 1977

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Introduction; Purpose; Focus; Definitions.

This paper is intended as a manual for clinical analysis of the planning system of a diversified company. The analysis is concerned with the following classes of issues. The general objective will be to arrive at an assessment of the effectiveness of a company's corporate planning system in terms of the overall degree of match between the company's needs for planning, in terms of adaptation- as well as integration-related needs, and the capabilities of the corporate planning system to fulfill these needs, both in terms of adaptation- as well as integration-related capabilities.

We shall attempt to develop the general assessment of the planning effectiveness as a function of the overall needs-capabilities pattern match by carrying out the following broad steps of analysis.

- First, the strategic setting of the company should be determined, given that this will be a major determinant of the needs for planning. A diversified company will carry out several interrelated strategies; a corporate portfolio strategy and several divisional business strategies. We shall follow a framework proposed by Lorange for determining the needs for planning that are arising from the strategic settings.
- Second, the corporate planning system should be analyzed in order to determine the nature of its potential capabilities. We shall follow the so-called "three by five" conceptual scheme for planning in assessing the corporate planning system. Thus, it should be stressed that the focus of study is the role of the corporate planning system, i.e. whatever planning system developed at the corporate

- Fourth, note that there will be two types of strategic units to be analyzed, the corporate level portfolio strategizing unit, and the divisional business level strategizing unit. The planning tasks for the two strategic unit types will be significantly different; hence, a clear delineation of what kind of strategic unit we are dealing with is essential particularly when we are carrying out the strategic needs assessment and when we are determining line managers' perceptions. For a given company we might carry out these assessments at the corporate portfolio level only, or, alternatively, for one divisional business unit only, we might be able to assess several such units. It will depend on factors such as the size and complexity of the company as well as each researcher's ability to gain access to the company how many line management perceptions analyses of strategic units he is able to carry out. Ideally, the data gathered for one company then will consist of three major types of items, each item type having several aspects: First, an assessment of the corporate planning system; second, as assessment of the strategic setting for the company as a whole as well as for those divisions that the research is gaining access to; third, a line management perception assessment of the corporate level and several divisional business units. It is however more critical that the researcher carries out thoroughly one or a few analyses rather than several superficial ones.
- Fifth, it follows that the sources in the companies for the data needed, then, will be different for the three major classes of data. The data on the corporate planning system might normally most easily be provided by the corporate planner; the data on the strategic positions of the corporation as well as some of its divisions might

level and intended for use by organizational units throughout the company. Consequently, it is outside the focus of our study to assess individual planning techniques that various organizational units within a firm might have developed on their own to carry out their planning tasks - specialized planning systems such as for instance one division's computer-based financial planning model, a manufacturing function's scheduling planning system, or a marketing function's brands planning model, will be seen as tools for the organizational unit in question to participate in their corporate planning activities; however, whether an organizational unit prepares for its preparation in the corporate planning process in this or in that way is outside the scope of this study. It is the impact from the corporate planning system's capabilities on strategy formulation and implementation that we are interested in.

- Third, while the assessments of the capabilities of the corporate planning system as well as the assessments of the needs stemming from the strategic setting might reveal certain differences between needs and capabilities, this will not be adequate for judging the effectiveness of the corporate planning system. The users of the planning system, i.e. the line managers who have a need for system support in carrying out their strategy formulation and implementation tasks, will have to be questioned in terms of their perceptions on two accounts: To what extent does the corporate planning system help the line executive to better focus on what is his strategic setting, i.e. delineate his planning needs; and, to what extent does the corporate planning system provide useful support for the line executive in developing a useful plan.



normally most easily be extracted from existing plans - here too the corporate planner is probably the major source for data, but some might be supplied by a particular organizational unit, say a division; the data on line executives perceptions will have to be collected from these directly, however, through relatively brief and focussed interviews.

- Sixth, let us delineate in some more detail the nature of the different strategic units that we have to account for. A corporate level portfolio strategic unit consists of the corporate office, centered around the C.E.O., and chartered with developing a strategy for the portfolio of the business activities that the company is engaged in, the mix of businesses, both in terms of direction and efficiency of performance. In many large companies there might be several groups which have been established to relieve the corporate office for some of its burdens, particularly when it comes to operations. These group offices should be seen as parts of the corporate office, in that they are focussed on a subportfolio of the businesses. Notice, however, that there might be instances where the label "group" does not describe a setting as just discussed, but rather represent a divisional business strategizing unit. This is so when the "divisions" in this "group" are so closely related that we in fact are dealing with one business. A division business strategic unit, on the other hand, deals with succeeding against competition within a particular business sector. The division might consist of one or more so-called Strategic Business Units (SBUs). A SBU is a clearly defined product/market combination. There must be a manager responsible for a SBU. However, the SBU does typically not have discretion over all its functional support

activities; the division will typically carry out functions such as R & D, manufacturing, distribution, and even marketing for the SBUs. Thus, while an SBU can be seen as a revenue center, and the functions can be seen as cost centers the division can be seen as a profit- or investment- center. (Through allocation mechanisms an SBU might of course, also be considered a profit- or investment- center). We should again be aware of "label" problems; a "division" might well be an SBU; a "group" might well be a division. It should be noticed that we are not attempting to investigate SBU planning or functional planning as such, only the extent to which the corporate planning system provides useful support to meet the needs of the particular organizational units that we have focused on.

- Seventh, in order to focus even more sharply on the functioning of the corporate planning system of a particular company, we shall focus on three interrelated topical themes. In addition to our general assessment of the planning needs/capabilities, one will be a study of how the corporate planning system facilitated, if at all, revisions of strategies in response to the energy crisis. This is intended to serve as a vehicle for more in-depth analysis of the planning system's role in adaptation. A second issue is to address how monitoring (control) and incentives may or may not play a role in reinforcing the strategic directions set out in the planning system. Finally, we shall discuss the issue of how the corporate planning system seems to be managed.



Assessments of the Needs for PlanningOne: Preliminary Step: Identification of Strategic Units.1. Organization's Structure: Overall Picture

Ask for or have the company draw an organization chart for the company's overall operations. Whenever a person is being interviewed please mark his name and location on this organization chart. The organization chart will serve two purposes:

- a) It will allow you to focus on the frame of reference that each executive will have.
- b) It will give you a first impression of the degree of diversity of the company.

Please observe the following definitions:

- i) Corporate level: The office of the chief executive officer (C.E.O.), having a number of divisions or a number of groups reporting to it.
- ii) The Group level: An "extension" of the corporate office, having a number of divisions reporting to it.
- iii) The Division level: An organizational unit which deals with achieving success in a business segment vis a vis an identifiable competition. The division is typically relatively self-sufficient when it comes to providing for its own services (production, marketing, etc.) These products may be one or more markets served (SBU's), but in case of several SBU's, these are relatively strongly related.
- iv) The SBU level: A "product-market activity" or "strategic business unit" or "product" is a product or set of related

product lines with identifiable independence from other products or product lines so that it can be managed independently of the firm's other activities, in terms of identifying its unique competitive strength (market share) and business attractiveness (market growth), and in terms of deciding on a strategy for where to be in terms of strength/attractiveness position and how to get there. When observing your company and attempting to break its activities into discreet product-market activities or SBU's it should be remembered that there is no one entirely objective way of observing what the actual pattern of such independent units are. (Remember that we want to classify what the pattern of SBU's is, not what we think it logically should be.) Our classification problem is particularly difficult because each company will have a unique history and has developed its own pattern of relationships among technologies, products and markets. Thus, what may be a discreet business for one firm is often an integral and nonseparable part of a larger business in another firm.

It may be helpful to ask the following questions in order to delineate the actual SBU structure:

- competition; what is the end-use functional segment; what is the competitive segments (without regard to differences among products competing in the same segment); what is the product-market relationship?

- prices; are there distinctive end-use segments based on pricing, i.e., high-priced vs. medium-priced vs. low-priced products.
- substitutability of product; lack of substitutability vis a vis other products. (But, much substitutability within the product line itself.)
- quality; are there distinctive end-use segments such as luxury style/quality vs. mass market style/quality, etc.
- impact of product withdrawal; if the product hypothetically was withdrawn, would the company be out of competition within this general area of business then? If not, what is the degree to which a business activity is functionally related to other activities?
- impact of changing product technology or raw materials; this can surface whether effects of changes in the production technology of one business might have impacts on other businesses.
- impact of significant changes in price, quality or services associated with the product; this would aid in identifying products that are part of "product lines" rather than of discreet businesses.

## Two: Needs for Planning at the Corporate Portfolio Level

In this section we shall attempt to establish the need for planning at the corporate, portfolio level. The section will consist of four parts, reflecting four steps in our portfolio planning need assessment. In step one we shall ask for a few overall corporate-wide financial data with respect to financial performance and financial strength (Paragraph 1). We shall use these data to assess the planning needs that financial strength and performance creates (Paragraph 3). We shall also collect data about the relative changes in the structure of the company's portfolio (Paragraph 2), and assess what types of planning needs that will be created due to the degree of portfolio change (Paragraph 4).

### 1. Company's Operating Results and Balance Sheet Information

	<u>1971</u>	<u>1976</u>	<u>1981</u>
i) Net Sales (in Million \$)			
ii) Net Profits (in Million \$)			
iii) Debt : Equity Ratio		:	:
iv) Earnings per Share (in \$)			

### 2. Division Data

Please fill out the following information, broken down per Division (all numbers in percent). This should be filled out three times, one for the 1971 position, one for the 1976 position and one for the 1981 position. Please notice that if the company has no plans as far out as 1981 you should make use of the planned numbers as close to 1981 as available. Please notice explicitly the year of reference if different from 1981.

## A. 1971 Position (%age contribution by each division)

Item	Division A	Division B	. . .	Division M	General Unallocated Corporate Items	Total for Corporation
1. Net Sales. What is the contribution to net sales by each division?	%	%		%	%	100%
2. Net Profits. What is the contribution to net profits by each division?	%	%		%	%	100%
3. Number of Employees. What is the number of employees of each division?	%	%		%	%	100%
4. In terms of the balance between this division's generation of funds and its use of funds, indicate which one of the following categories that is the most appropriate description (assign each division in its appropriate category):						
- large negative funds flow (A)						
- modest negative funds flow (B)						
- break-even; virtually $\pm$ 0 funds flow (C)						
- modest positive funds flow (D)						
- large positive funds flow (E)						



## B. 1976 Position (%-age contribution by each division)

Item	Division A	Division B	. . .	Division M	General Unallocated Corporate Items	Total for Corporati
1. Net Sales. What is the contribution to net sales by each division?						100%
2. Net Profits. What is the contribution to net profits by each division?						100%
3. Number of Employees. What is the number of employees of each division?						100%
4. In terms of the balance between this division's generation of funds and its use of funds, indicate which one of the following categories that is the most appropriate description (assign each division in its appropriate category):						
- large negative funds flow (A)						
- modest negative funds flow (B)						
- break-even; virtually $\pm 0$ funds flow (C)						
- modest positive funds flow (D)						
- large positive funds flow (E)						

## C. 1981 Position (%-age contribution by each division)

Item	Division A	Division B	. . .	Division M	General Unallocated Corporate Items	Total for Corporation
1. Net Sales. What is the contribution to net sales by each division?	%	%		%	%	100%
2. Net Profits. What is the contribution to net profits by each division?	%	%		%	%	100%
3. Number of Employees. What is the number of employees of each division?	%	%		%	%	100%
4. In terms of the balance between this division's generation of funds and its use of funds, indicate which one of the following categories that is the most appropriate description (assign each division in its appropriate category):						
- large negative funds flow (A)						
- modest negative funds flow (B)						
- break-even; virtually $\pm$ 0 funds flow (C)						
- modest positive funds flow (D)						
- large positive funds flow (E)						

### 3. Portfolio Need for Planning, Stemming from Financial Position.

Please make use of the financial data collected in section 1 above when positioning the corporation, in terms of its planning needs stemming from its financial position, both in terms of where it is as of the present, as well as planned.

A. Present (1976) Position (Score 6 is high; Score 4 is medium; Score 2 is low)

<u>Financial</u>  <u>Strength</u>  (D:E Ratio, 1976)	<u>Strong</u>	Adaptation = 6 Integration = 2	Adaptation = 5 Integration = 3	Adaptation = 4 Integration = 2
	0.5 (1:2)	Adaptation = 5 Integration = 3	Adaptation = 4 Integration = 4	Adaptation = 3 Integration = 5
	<u>Medium</u>	Adaptation = 5 Integration = 3	Adaptation = 4 Integration = 4	Adaptation = 3 Integration = 5
	1.5 (3:2)	Adaptation = 4 Integration = 4	Adaptation = 3 Integration = 5	Adaptation = 2 Integration = 6
	<u>Weak</u>			
		<u>Stronger</u>	<u>Medium</u>	<u>weaker</u>

Change in Financial Position (Near Term Performance)

[See alternative ways of calculating this]

Alternative ways of calculating near-term performance:

#### a) Sales performance

1971-76 improvement in net sales, 1976 in % of 1971 (1971 = 100%).

Please calculate \_\_\_\_\_ %



- strong: 200% or more
- medium: 125% - 199%
- weak: 124% or less

b) Profits performance

1971-76 improvement in net profits, 1976 in % of 1971 (1971 = 100%).

Please calculate \_\_\_\_\_%

- strong: 150% or more
- medium: 110% - 149%
- weak: 109% or less

c) Earnings per share

1971-76 improvement in earnings per share, 1976 in % of 1971  
(1971 = 100%).

Please calculate \_\_\_\_\_%

- strong: 200% or more
- medium: 125% - 199%
- weak: 124% or less

NB: Please notice that we shall decide which one of the alternative near term performance measures (a), (b) or (c) to use, or which combinations thereof to use after we have gotten some better feeling for the nature of the data.

B. Planned (1981) Position (Score 6 is high; score 4 is medium; score 2 is low)

<u>Financial Strength</u>  (D:E Ratio, 1981)	<u>Strong</u>	Adaptation = 6 Integration = 2	Adaptation = 5 Integration = 3	Adaptation = 4 Integration = 2
	0.5 (1:2)	Adaptation = 5 Integration = 3	Adaptation = 4 Integration = 2	Adaptation = 3 Integration = 1
	<u>Medium</u>	Integration = 3	Integration = 4	Integration = 3
	1.5 (3:2)	Adaptation = 4 Integration = 4	Adaptation = 3 Integration = 5	Adaptation = 2 Integration = 4
	<u>Weak</u>			
		<u>Stronger</u>	<u>Medium</u>	<u>Weaker</u>

Change in Financial Position (Near Term Performance)

[See alternative ways of calculating this]

Alternative ways of calculating near-term performance:

a) Sales performance

1976-81 improvement in net sales, 1981 in % of 1976 (1976 = 100%).

Please calculate \_\_\_\_\_%

- strong: 200% or more
- medium: 125% - 199%
- weak: 124% or less

b) Profits performance

1976-81 improvement in net profits, 1981 in % of 1976 (1976 = 100%).

Please calculate \_\_\_\_\_ %

- strong: 150% or more
- medium: 110% - 149%
- weak: 109% or less

c) Earnings per share

1976-81 improvement in earnings per share, 1981 in % of 1976 (1976 = 100%).

Please calculate \_\_\_\_\_ %

- strong: 200% or more
- medium: 125% - 199%
- weak: 124% or less

**NB:** Please notice that we shall decide which one of the alternative near term performance measures (a), (b) or (c) to use, or which combinations thereof to use after we have gotten some better feeling for the nature of the data.

(1) Adaptation Needs

	High	Medium	Low
(a) Present Strategic Position (Chart A)	_____	_____	_____
	(6)	(5)	(3) (2)
	High	Medium	Low
(b) Planned (1981) Strategic Position (Chart B)	_____	_____	_____
	(6)	(5)	(4) (3) (2)
(c) Adaptive Need = Sum of (a) + (b) scores =	_____		

(2) Integrative Needs

	<u>High</u>		<u>Medium</u>		<u>Low</u>
(a) Present Strategic Position (Chart A)	<u>(6)</u>	<u>(5)</u>	<u>(4)</u>	<u>(3)</u>	<u>(2)</u>
	<u>High</u>		<u>Medium</u>		<u>Low</u>
(b) Planned (1981) Strategic Position (Chart B)	<u>(6)</u>	<u>(5)</u>	<u>(4)</u>	<u>(3)</u>	<u>(2)</u>
(c) Adaptive Need = Sum of (a) + (b) scores =	<u>                    </u>				

#### 4. Portfolio Need for Planning, Stemming from Changes in the Structure of the Portfolio

##### a) Sales - Present

Please compare Charts A and B under Paragraph 2 when it comes to item 1, Net Sales. For division A, calculate the numerical difference between its 1971 percentage sales and its 1976 percentage sale. If division A did not exist in 1971 then assign the percentage value of 0% to the 1971 position of this division and carry the calculation out on this basis. If division A did not exist in 1976 then assign the 0% value to it for this year and carry out the calculation. Then, sum up the total numerical differences for all the divisions:

Division A:        % change in sales share

Division B:        % change in sales share

Division M:        % change in sales share

Sum, Ap =        Corporate change factor

b) Net Profits - Present

Please compare Charts A and B under Paragraph 2 when it comes to item 2, Net Profits. For division A, calculate the numerical difference between its 1971 percentage profits and its 1976 percentage profits. If division A did not exist in 1971 then assign the percentage value of 0% to the 1971 position of this division and carry the calculation out on this basis. If division A did not exist in 1976 then assign the 0% value to it for this year and carry out the calculation. Then, sum up the total numerical differences for all the divisions:

Division A: \_\_\_\_\_ % change in profits share

Division B: \_\_\_\_\_ % change in profits share

Division M: \_\_\_\_\_ % change in profits share

Sum , Bp = \_\_\_\_\_ Corporate change factor

c) Number of Employees - Present

Please compare Charts A and B under Paragraph 2 when it comes to item 3, Employees. For division A, calculate the numerical difference between its 1971 percentage of employees and its 1976 percentage of employees. If division A did not exist in 1971 then assign the percentage value of 0% to the 1971 position of this division and carry the calculation out on this basis. If division A did not exist in 1976 then assign the 0% value to it for this year and carry out the calculation. Then, sum up the total numerical differences for all the divisions:

Division A: \_\_\_\_\_ % change of employees share

Division B: \_\_\_\_\_ % change of employees share

Division M: \_\_\_\_\_ % change of employees share

Sum , Cp = \_\_\_\_\_ Corporate change factor

d) Funds flow - Pattern Changes - Present

Please compare items 4 of Charts A and B under Paragraph 2.

If a division's funds-flow role has changed from a large negative funds flow (A) in 1971 to a large positive funds flow position (E) in 1976, then assign numerical value 5. If it has changed from an (A) position to a (D) position, then assign number 4, and so on. If no change, say, it was (C) and still is (C), then assign value 1. Then, sum up the total numerical values for all the divisions:

Division A \_\_\_\_\_ Numerical value

Division B \_\_\_\_\_ Numerical value

. . .

Division M \_\_\_\_\_ Numerical value

Total Corp. Dp = \_\_\_\_\_ Numerical value

e) Planned Changes

Having completed steps (a) - (d) above, please repeat the same procedure, comparing Charts B (Present) and Charts C (Planned) positions of the portfolio's structure. This allows us to calculate in a similar manner a set of four additional numerical values; all eight values are summarized in the table below:



Portfolio Change Factor	Time Period	
	From Past to Present	From Present to Future
Net Sales	Ap =	Af =
Net Profits	Bp =	Bf =
Employees	Cp =	Cf =
Funds Flows	Dp =	Df =

Let us now calculate values for the needs that stem from these changes in the portfolio:

(1) Adaptation Needs

- (a) Changes in strategic position from past to present  $Ap + Bp =$  \_\_\_\_\_
- (b) Changes in strategic position from present to future  $Af + Bf =$  \_\_\_\_\_
- (c) Adaptive need, sum of  $Ap + Bp + Af + Bf =$  \_\_\_\_\_

(2) Integrative Needs

- (a) Change in strategic position from past to present  $Cp + Dp =$  \_\_\_\_\_
- (b) Change in strategic position from present to future  $Cf + Df =$  \_\_\_\_\_
- (c) Integrative need, sum of  $Cp + Dp + Cf + Df =$  \_\_\_\_\_

Notice: We shall need to normalize the scale for items Dp and Df (funds flows) to the other three; presently they are not comparable. This will be done by scoring each of the values of the above table into High = 3, Med. = 2, low = 1. We shall determine what the score borderlines are in terms of degree of adaptation/integration needs after we have gotten some feel for the data. Summing up under (1)-(a), (1)-(b), (2)-(a) or (2)-(b), then, we will get scores that scale as follows

<u>High</u>	<u>Medium</u>	<u>Low</u>
(6)	(5)	(4)
(3)	(2)	(1)

### Three: Needs for Planning at the SBU Level

You should attempt to develop an assessment of the strategic position of the division based on what the patterns of strategic positions will be for each of the SBU's. Thus, as a starting point assess the SBU's you get access to.

This section should be completed for each SBU examined.

#### A. Market Share of this Strategic Business Unit

##### 1. Size of served market - as management assesses this themselves.

Indicate your estimate of the total value of sales in the market actively served by this SBU; for 1971, 1976 and planned for 1981.

Total value of sales in the market served by the business, in thousands of dollars.

<u>1971</u>	<u>1976</u>	<u>1981</u>
_____	_____	_____

##### 2. Sales of SBU

Indicate the total value of your SBU's sales for 1976 and 1981.

a) Business sales, in the thousands of dollars:

b) The largest competitor's business sales, in thousand dollars:

1976      1

\_\_\_\_\_

\_\_\_\_\_



### 3. Market Share

Market share is defined as being the sales of a SBU as a percentage of the served market. For each of the year 1976 and planned 1981 report the market share of the served market (defined in 1 above) by your own SBU and by the largest competing SBU.

	<u>1976</u>	<u>1981</u>
a) What is the market share of your SBU, %:	_____	_____
b) What is the market share of the largest competing SBU:	_____	_____

### 4. Relative Market Share

Calculate this as the ratio of your SBU's dollar sales of the product (item 3a for 1976) to the dollar sales of the industry's largest competitor in that product (item 3b for 1976).

## B. Market Growth

### 1. Product sales growth of served market

What, in your estimation, has been the rate of growth in the total value of sales in the market actively served by this SBU, by calculating the percentage growth in total market sales between 1971 and 1976? (Use the figures that you just provided for question A-1). Product sales growth rate:

\_\_\_\_\_ % from 1974 to 1976. (1971 = 100%)

\_\_\_\_\_ % from 1976 to 1981. (1976 = 100%)

2. Product life cycle (as a way for you to informally check the implication of the product sales growth rate)

How would you describe the stage of development of the product category or type sold by this business during the last three years? (Check one)

- . . . Introductory Stage: (Example: laser measuring devices)

Primary demand for product just starting to grow; products or services still unfamiliar to many potential users; changes in technology; great pursuit of new customers; fragmented and changing shares of market.

- . . . Growth Stage: Demand growing at 10% or more annually in real terms; technology and/or competitive structure still changing; customers, shares and technology are better known; entry into the business more difficult.

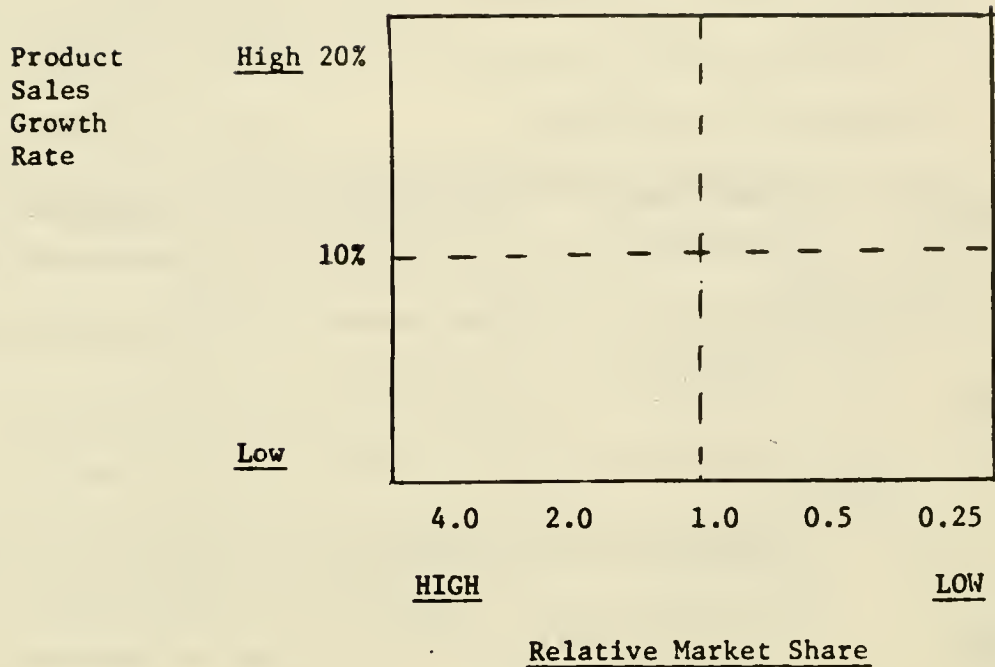
- . . . Maturity Stage: (Example: automobiles, paper)

Products or services familiar to vast majority of prospective users, technology and competitive structure reasonably stable.

- . . . Decline Stage: (Example: men's hats) Products viewed as commodities; weaker competitors beginning to exit; falling demand, in many industries a narrowing of the product line.

A-B. Product position chart.

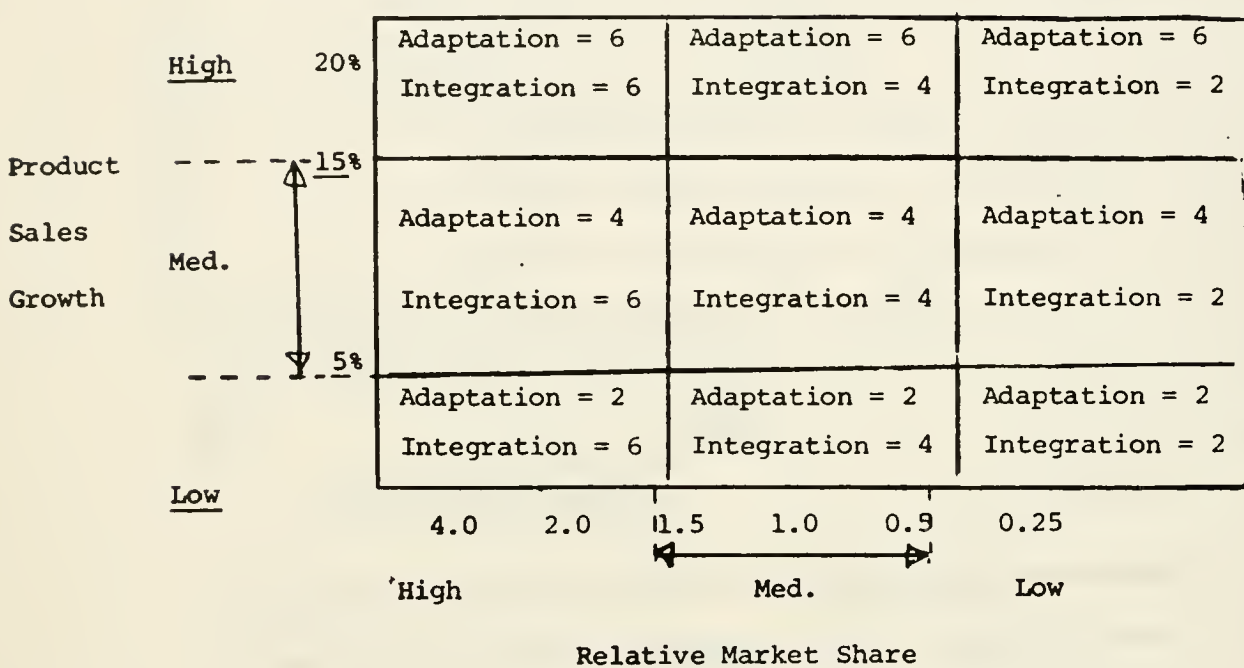
1. Plot the product's position on the chart in terms of product sales growth rate (from B-1), relative market share (from A-4) and absolute sales volume, indicated by the area of the circle (from A-2, 1976):



\*Note: The mid-points of the two axes should be 10% and 1.0 for your diagram. The end-points of the two axes depend on your particular situation. For instance High Growth might be 100% for one company vs. 20% for another; High Market share might be 5.0 for one company vs. 1.5 for another. Also, negative growth rates are consequently perfectly possible.

2. Plot the product's position on the chart in a similar fashion, but for planned 1981.

C. The planning needs associated with a SBU will be determined as a function of the following:



### 1. Adaptation Need

	High	Medium	Low
a) Present Strategic Position	<u>(6)</u>	<u>(4)</u>	<u>(2)</u>
b) Planned (1981) Position	<u>(6)</u>	<u>(4)</u>	<u>(2)</u>
c) Adaptive need = sum of a/+b/ scores =	_____		

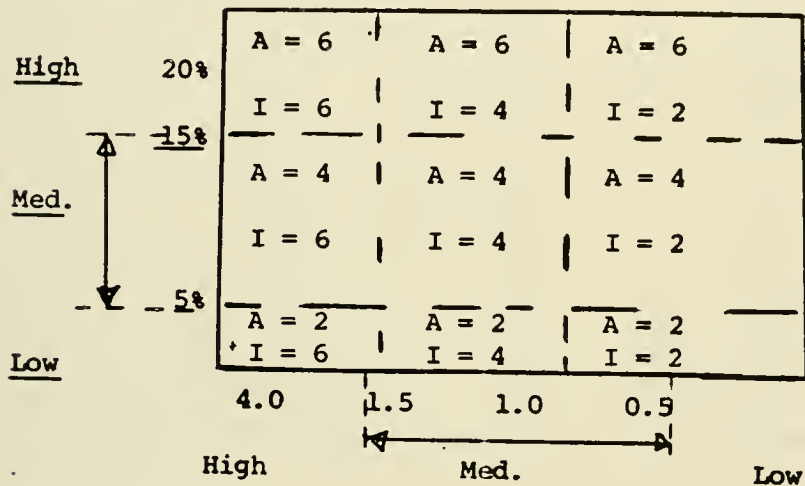
### 2. Integrative Need

	High	Medium	Low
a) Present Strategic Position	<u>(6)</u>	<u>(4)</u>	<u>(2)</u>
b) Planned (1981) Position	<u>(6)</u>	<u>(4)</u>	<u>(2)</u>
c) Integrative need = sum of a/+b/scores =	_____		

Four. This section should be filled out for the division to assess the planning needs of the division.

A. Strategic Needs/SBU Positions

As a first step, please draw a composite chart for the positioning of all of the SBUs of the division, by plotting each SBU on the diagram below, the area of the circle representing each SBU being a function of its sales volume.



Then assess the adaptive and integrative needs of each of the SBUs judgmentally that you have not analyzed in depth, assuming that you have not been able to analyze all the SBUs in depth, the latter, of course, being the preferable. Then, calculate the adaptive and integrative needs of the division stemming from the strategic positions of its SBUs by weighting each SBU according to the relative importance of its sales.

<u>Division X</u>  SBU Name	Column I  SBU's share of division's sales %	Column II  SBU's Adaptive Need Score	Column III  Column II score mul- tiplied by Column I	Column IV  SBU's In- tegrative Needs Score	Column V  SBU's In- tegrative Needs Score
SBU A	%				
" B	%				
" C	%				
" D	%				
.					
.					
.					
" N					
Sum	100%				

The divisions' adaptation needs is thus represented by the sum of Column III and the integration needs by the sum of Column V.

#### B. Strategic Need - Consolidation Attractiveness

This deals with the additional planning needs at the division level due to the need to plan for coordination among the SBUs, assuming at least some interdependence between these.



	Highly Interde- pendent (4)	Some- what Interdep. (2, 67)	Not Interde- pendent (1, 33)
a) <u>Marketing Interdependence</u>  To what extent would you rate the degree of interdependence between the marketing functions of the division's SBUs, as evidenced by such characteristics as overlapping market territories, overlapping customer followings, and/or shared sales force?			
b) <u>Manufacturing Interdependence</u>  To what extent would you rate the degree of interdependence between the manufacturing functions of the division's SBUs, as evidenced by such characteristics as joint manufacturing facilities, interdependencies in the production process, commonalities in raw materials and/or parts base, etc.			
c) <u>"Strategic" Interdependence</u>  To what extent would you rate the degree of interdependence between the division's SBUs when it comes to decisions concerning strategic repositioning of a given SBU; can you decide on such items as introducing a new product, pricing, advertising profile/image positioning, special promotional campaigns, etc. more or less independently for each SBU or not?			

Please add up the rankings from your consolidation planning needs assessment within the division (~~Maximum consolidation planning needs = 12; minimum = 4~~).

Consolidation planning need \_\_\_\_\_

## Section III

Assessment of the Capabilities of the Corporate Planning System.

The assessment of the capabilities of the corporate planning system of the firm will attempt to determine the nature of the design and structure of the elements of the formal corporate planning system of the company, following the "three by five" conceptual scheme for corporate planning. One aspect of this will be to particularly focus on the extent to which the various stages or elements and information flows of the planning system are in place in a reasonably consistent and operational sense. The other aspect of this will be to focus on the nature of the various linkages between the elements of this system, vertically as well as horizontally. When assessing the formal planning system's design you should obtain the information from the corporate planning officer, or another executive designated by him. You should also observe that we shall follow the logical flow of the "three by five" when asking the questions about the design of the planning system, and not attempt to break the design questions down in terms of the aspects that might directly affect the adaptation or integration capabilities and/or might be particularly relevant for the corporate portfolio level or the divisional business level. After the general picture of the corporate planning system has been established, however, we shall assess how this seems to affect corporate- as well as division-level adaptation - as well as integration-capabilities. For each of the aspects of the planning process you should collect your background information, raising the issues suggested in this manual. You should, however, reach a conclusion with regard to how the corporate planning system seems to have been designed to cope with this issue, by ranking the particular aspect of the process in question as a way of synthesising your observations on this issue. Be sure, however, that you document your background findings, so that we can go through the ratings of each



step in class and calibrate these across the companies.

# One. The Objectives-Setting Process.

## 1. The C.E.O.'s Initiation of the Process.

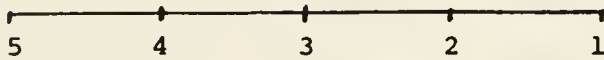
Please assess the extent to which the C.E.O. and/or his corporate senior line management explicitly outline and communicate to the businesses their own expectations about where the firm ought to go. If such a statement is provided at all, to what extent does it appear that the C.E.O. is as specific as he reasonably can be, given the diversity of the businesses he is in as well as the relative newness of the C.E.O. on this job. Keep in mind that we are asking for the nature of top-down inputs at the start of the planning process to initiate this year's planning activities. As part of your assessment, you may want to check into whether at all the senior corporate management based their initial involvement on a formal comparison between their own company's performance and a select group of competitors' performance in coming up with an initiation of the process. You should also attempt to determine whether the top-down involvement at the outset merely consists of a request to the businesses to come up with their objectives suggestions as opposed to also containing substantive expectations regarding the company's future. Also, you should examine whether the C.E.O./senior corporate line's initiation seems to involve a concerted effort each year versus becoming more of a routine and repetitive process for them. You should check whether the process in fact is initiated by the corporate planner and not by the senior corporate line executives. You should ask for a look at the written documentation of the top-down initiation of the process.

Rating

The C.E.O./senior line management initiate the planning process through a specific, direct and substantively heavy involvement.

The C.E.O.  
is heavily  
involved

The C.E.O.  
is not  
involved

2. Assessment of Business Opportunities and/or Threats.

Please assess the extent to which corporate planning system requires the divisions to assess the real opportunities and/or threats of each of their businesses, i.e. attempt to establish a relatively uninhibited view of "where to go" for its businesses? Is it clear that establishing this business outlook is not in fact more or less an "extrapolation" of the present conditions? Have major environmental factors been assessed in terms of their potential impact on the businesses in question, for instance, competitors' strategic moves, technological advances, energy-related, consumer protection related and other government legislation, the general long-term economic outlook, and so on. To what extent does the assessment of the business strategic opportunities and/or threats get summarized in a way that can allow the business management to develop an overview of its overall strategic position in terms of its potential attractiveness, i.e. development of at least some qualitative risk/return measure?

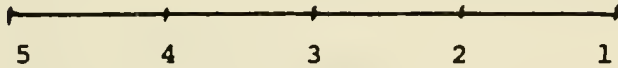
Rating

The corporate planning exercise encompasses a divisional assessment of its business opportunities and/or threats which thoroughly confronts its

environmental exposures as opposed to being more or less extrapolative.

Strong business  
opportunity/threat  
assessment

Weak business  
opportunity/threat  
assessment

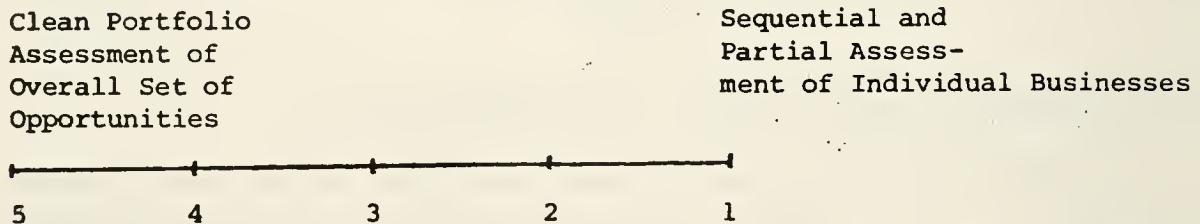


### 3. A Portfolio View of "Where for the Firm to Go."

Please assess the extent to which the C.E.O. and the senior corporate executives as part of the corporate planning process get provided with formal inputs from the various businesses which would allow senior management to assess the relative attractiveness of the various businesses in terms of the long-term opportunities and/or threats that each of these might offer. In this respect, you should particularly base your assessment on the following: To what extent all of the divisions come up with appropriate inputs in terms of explicitly what will be their competitive strategic position and a realistic justification of what are the opportunities and threats within their strategic setting; whether the various businesses' inputs can be compared explicitly in terms of relative opportunities; threats (on returns, risks, funds flows of the overall portfolio); whether the corporate review of the divisions' inputs result in a sequential approval or a portfolio-dominated approval on behalf of the corporation; and, whether the divisions' inputs in terms of "where" they might go have been clearly separated from strategic program specifications for "how to get there."

### Rating

The C.E.O. and the senior corporate management take a clear portfolio approach for where the firm as a whole should go in terms of what should be the general mix of emphasis among the business opportunities.

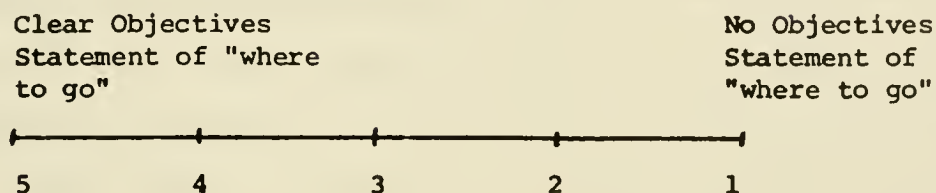


#### 4. Corporate Resolution of "Where to Go."

The C.E.O. and his senior corporate executives explicitly "close the planning gap" by deciding on and communicating what should be the major direction to go; which of the existing businesses to be relatively more emphasized, which to be relatively less emphasized, and which will be the explicit criteria for "filling the gap in terms of where to go" in terms of searching for acquisitions. This process involves a relatively free-flowing two-way interaction, when necessary, between the corporate and the divisional levels in order to iteratively "close the gap." The output of the process is a relatively explicit statement of objectives for the corporation, which also includes a statement of which business directions to be emphasized, and which both qualitatively and quantitatively states "where to go." This statement is explicitly communicated to the divisions.

Rating

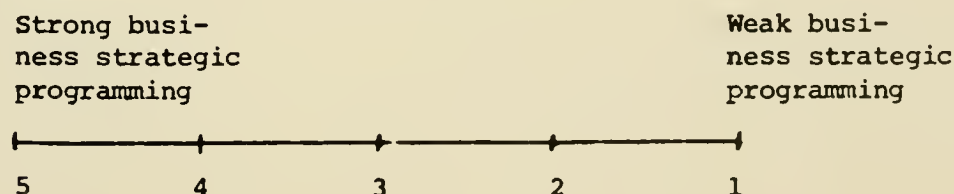
A clear direction about where to go for the company is decided upon and communicated, including which business directions to relative emphasize.

Two. The Strategic Programming Process.5. Divisional/Business Level Strategic Programming.

For each of the divisions does the corporate planning system provide for a clear request to develop operational strategic programs for "how to achieve" a particular set of goals. To what extent are these strategic program alternatives being formulated as predominantly cross-functional programs for internal development, as opposed to predominantly functional "plans" (say, a "strategic" plan for marketing, manufacturing, R & D, etc.)? Do these strategic programs have a clear strategic focus in mind in the sense that they are strategies for how to get to a particular position for a business, for instance, for how to build a market share, or for how to maintain a position.

Rating

There is a development of predominantly cross-functional strategic programs which lead to specific statements for how to operationalize the achievement of a particular objective for a business.





#### 6. Corporate Level Acquisition-Related Strategic Programming.

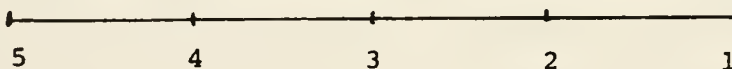
To what extent does the corporate planning system provide the C.E.O. and the senior corporate executives with a clear set of objectives for in what way to be searching after and evaluating acquisitions? To what extent is the acquisition activity done in close coordination with the general thrust of the corporate strategic planning, in that acquisitions are made within a context of changing the nature of the company's portfolio, in accordance with outlined objectives? Does the staff group which handles acquisitions work closely with the corporate planning group so that they "understand" the corporate strategy, i.e., what "niches" to fill through acquisition? Is the acquisition process "strategy-division" as opposed to "opportunistics-driven?"

#### Rating

The acquisitions program is carried out in the context of the corporate planning system, i.e., as one vehicle for "how to get there" in achieving corporate portfolio goals.

Acquisitions are  
done as part of  
Plans

Acquisitions are  
done opportunistically  
and separate from plans



## 7. Corporate Resolution of "How to Get There."

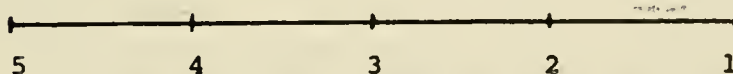
To what extent does the corporate planning system facilitate an overall corporate level senior management assessment of the various alternative strategic programs that are being proposed by the divisions in order to make a tentative commitment of resources to a set of programs that best might facilitate progress towards the portfolio objectives of the company as a whole? Are resources being tentatively committed to specific strategic programs at all? If so, are resources tentatively allocated in a way that facilitates the implementation of a portfolio pattern? (This would presumably also imply that existing programs' legitimacy would be reviewed at certain intervals). Is there a mechanism for interaction between the corporate and the division level in order to develop acceptable divisional strategic program packages through iteration? Is an overall tentative resource allocation "package" being arrived at, and, if so, is this then being clearly communicated to the divisions?

### Rating

The corporate planning system facilitates a tentative resource allocation to strategic programs, and in a portfolio mode.

Definite Allocation by Strategic Program in Portfolio Mode

No Allocation by Strategic Program in Portfolio Mode



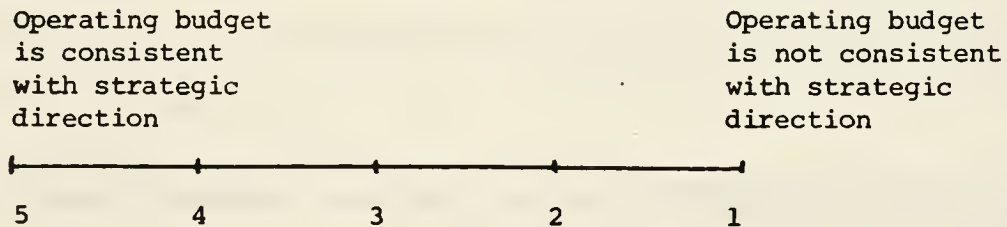


### 8. Preparation of Budgets (Action Programs).

When operating budgets are being prepared, to what extent does the corporate planning system facilitate that the near-term operating mode laid out will be consistent with the longer-term strategic mode of achieving the strategic programs? To what extent are strategic resources (management talents, money) accounted for in the near-term operating budget in such a way that these resources in fact can be put to work to achieve a desired strategic direction? Is there a clear statement of what will be a manager's strategic responsibility in addition to the near-time accountability for achieving the operating budget?

#### Rating

The operating budget is consistent with the thrust of direction set in preceeding strategic program plans.



### 9. Resource Allocation to Budgets.

To what extent are the corporate level senior management's resource allocations being taken in the spirit of being "fine-tuning" of the strategic direction already earlier spelled out through the planning process? The opposite of this would be that corporate management would pay strong

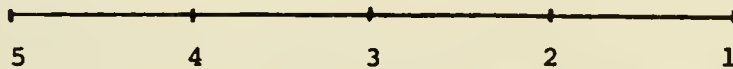
attention to the approval of operating budgets and/or capital budget proposals in themselves, without tying these in with the strategic context.

### Rating

The resource allocation decisions as part of the corporate management's approval of the budgets are undertaken in such a way that they explicitly attempt to achieve consistency with the longer term strategic plans.

Resource Allocations  
through Budget  
Approvals are Taken  
within Strategic  
Context.

Resource Allocations  
through Budget  
Approvals are Not Taken  
within Strategic  
Context



### Four. The Monitoring Stage

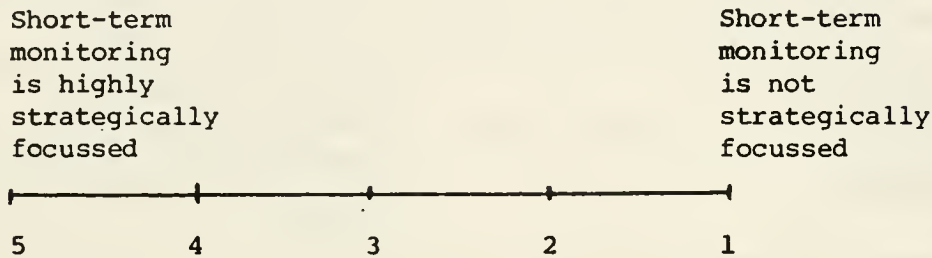
#### 10. Monitoring against Short-Term Performance.

The company will probably have an elaborate management accounting system in place, which in all likelihood will monitor deviations from the budget in terms of actual versus projected sales, costs, profits and so on. To what extent, however, is there a short-term monitoring which more specifically might give an indication of whether the company's strategies are being implemented as planned. For instance, are short-term changes in market share being monitored relatively frequently (more often than the one time a year needed for developing next year's plan)? Similarly, are changes in sales growth monitored frequently enough so that it, together with a measure of inventory levels, can provide an "early warning system" that business plans may have to be changed? In terms of monitoring relevant factors for the corporate portfolio strategy in particular, are the short-term financial performance monitoring figures being consolidated that senior corporate executives can get a picture of the overall pattern of

portfolio effects, in turns of funds flow changes in particular.

### Rating

To what extent is the short-term performance monitoring providing "early warning" signals that the planned strategic direction of the firm might have to be modified?



### 11. Monitoring Strategic Program Fulfillment Performance.

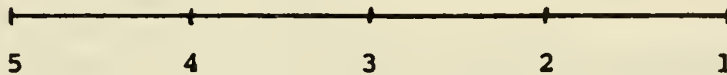
To what extent does the performance monitoring focus on the degree of progress towards the attempt to fulfill the strategic programs that have been decided on? In this respect are there a formalized set of measures of progress towards certain milestones in completing a strategic program? Is there a measurement of the degree of usage per strategic program during a given period of time of strategic resources that have gone into the strategic program; over- or under-spending of investments, expenditures, man-hours, etc.? Is there any formalized monitoring of any critical environmental assumptions, which, if they have to be changed might jeopardize the relevance of the strategic program (examples might be competitors' moves, product innovations, technological breakthroughs, etc.)?

Rating

To what extent does a formal monitoring effort attempt to measure the progress towards the fulfillment of strategic programs, i.e. of the degree of strategy implementation fulfillment?

There is a  
clear, explicit  
monitoring of  
strategy im-  
plementation  
fulfillment

There is not  
clear, explicit  
monitoring of  
strategy im-  
plementation  
fulfillment

12. Monitoring Fulfillment of Objectives.

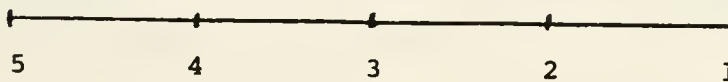
The objectives of the company as a whole as well as those of the company's divisions and businesses can typically not be easily measured as such, in the sense that while one might progress towards a goal one typically seldom reaches it. We shall, however, be interested in measuring the degree of progress towards a particular goal. Above all, to what extent do the various environmental assumptions that underline an objective hold up? For instance, is the company systematically monitoring selected environmental factors, such as major competitive moves, major technological innovations, energy price and/or supply trends, raw material prices and/or supply trends, demographics trends, labor relations trends, inflation, interest rate and/or currency change trends, political stability trend, and so on, and also, is the company attempting to specifically assess the effects on its own objectives from changes in such factors? Are specific environmental scanning and measurement procedures developed for monitoring any of these factors, including unambiguous assignment of management responsibility for carrying out such tasks?

### Rating

The monitoring of one's objectives' relevance is explicitly carried out in a way that emphasizes scanning of a selected set of environmental phenomena judged to be particularly relevant as underlying assumptions for the validity of the objectives.

There is an explicit, institutional monitoring of selected environmental phenomena

There is not an explicit, institutional monitoring of selected environmental phenomena



### Five. The Incentives Stage

#### 13. Incentivating with Respect to Budget Fulfillment Performance.

To what extent does the company incentivate a line manager, at an organization level where at a minimum he is responsible for running a Strategic Business Unit, in terms of a formal tie-in of part of his salary (bonus) to achieving fulfillment of the budget? In this respect we want to assess the extent to which such additional compensation, in case, is an individual bonus, and also the degree to which it is being explicitly determined as a variable function of budget fulfillment performance.

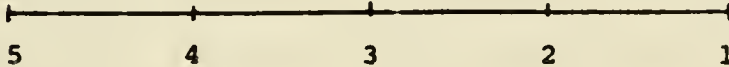


Rating

Individual management incentives are explicitly tied in as a variable function of budget fulfillment performance.

Incentives are  
explicitly tied  
in with budget  
fulfillment  
performance

Incentives are not  
explicitly tied  
in with budget  
fulfillment  
performance



14. Incentives with Respect to Strategic Program Fulfillment Performance.

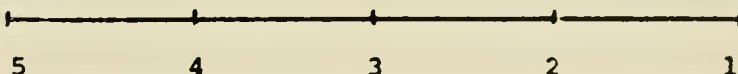
To what extent does the company incentivate a line manager, at an organization level where as a minimum he is responsible for running a Strategic Business Unit, in terms of formal tie-in of part of his salary (bonus) to achieving specific "milestones" towards the fulfillment of particular strategic programs? In this respect we want to assess the extent to which such additional compensation, in case, is an individual bonus, and also the degree to which it is being explicitly determined as a variable function of strategic program milestone fulfillment performance.

Rating

Individual managers' incentives are explicitly tied in as a variable function of strategic program milestone fulfillment performance.

Incentives are  
explicitly tied  
in with strategic  
program fulfill-  
ment perfor-  
mance

Incentives are  
not tied in  
with strategic  
program fulfill-  
ment perfor-  
mance



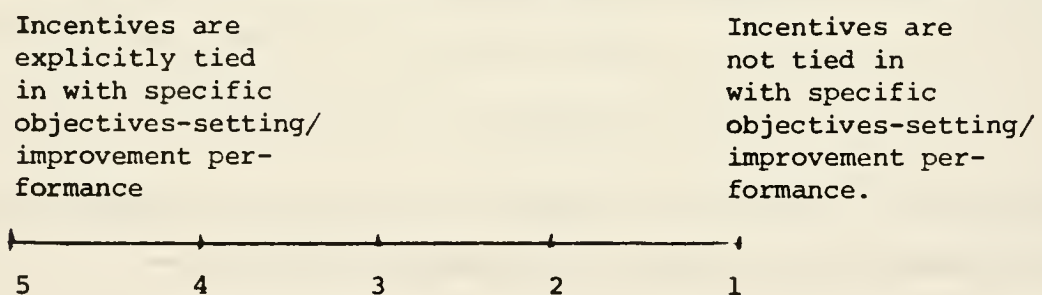


### 15. Incentives with Respect to Objectives Fulfillment Performance.

To what extent does the company incentivate a line manager, at an organization level where at a minimum he is responsible for running a Strategic Business Unit, in terms of formal tie-in of parts of his salary (bonus) to his degree of success in developing objectives that dynamically are being revised and improved on in the phase of environmental changes that create new opportunities and/or threats. In this respect we want to assess the extent to which the executive is creative in developing such continued strategizing reorientations and improvements as well as being adequately alert to significant environmental changes. To what extent, in case, is the degree to which additional compensation is being determined as a variable function of objectives-setting/improving performance?

#### Rating

Individual managers' incentives are explicitly tied in as a variable function of objectives-setting/improvement performance.



### B. General Properties of the Corporate Planning System.

This second part of the general assessment of the design of the corporate planning system attempts to judge whether the overall design of the formal planning system is such that the task of developing plans can be expected to be achieved. Thus, the following four assessments relate to

general properties of the design of a "three by five" strategic planning system, complementing the considerations about specific aspects of the design of the planning system in part A.

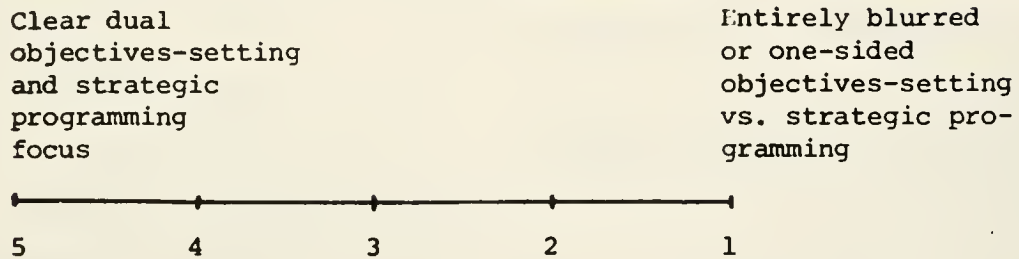
16. "Compressing" of Planning Cycles.

In the "three by five" conceptual scheme for corporate planning a distinction was made between one planning cycle attempting to establish a unified set of objectives for the company and its parts, i.e., a sense of "where to go," to be followed by a subsequent planning cycle to develop strategic programs for how to achieve the objectives, i.e. for "how to get there." In many, many corporate planning systems there will not be two such distinctive planning cycles but rather one cycle (often called the 5-year planning cycle), a critical question then being whether the system can provide direction on both "where to go" as well as "how to get there." Please assess the extent to which the planning system is able to provide an adequate dual focus on both the development of objectives as well as on development of strategic programs for implementing these objectives. (This question is probably particularly critical in instances where cycles one and two have been "truncated" into one).

Rating

To what extent does the corporate planning system provide for a dual

objectives-setting and strategic programming focus despite the fact that the planning activities are truncated into one cycle.



#### 17. Role of Functions during Objectives-Setting.

The functions within the divisions of the company will typically play a crucial role in the strategic programming effort in that it will be combinations of specialized functional competences that will be needed in order to come up with most strategic program alternatives. At the objectives-setting stage, however, the role of the functions will probably be much less profound and more informal given that the major focus will be primarily on the general management related issues of "where to go," for the corporate portfolio as well as each business. By providing strong and explicit emphasis on developing objectives for each function, then, the overall business and/or portfolio adaptation processes might be jeopardized. The resulting effect, instead, is that fragmented, partial, and inconsistent objectives might develop.

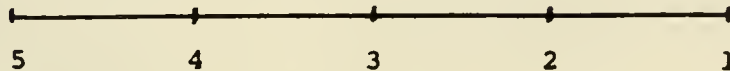
#### Rating

To what extent does an explicit emphasis on functional objectives setting

jeopardize the development of an overall general management focus on business- and/or portfolio-objectives setting?

Functional involvement in objectives-setting is not detrimental to business and/or portfolio objectives-setting

Functional involvement in objectives-setting is is detrimental to business and/or portfolio objectives-setting.



#### 18. Decision-Making Focus of Corporate Planning System.

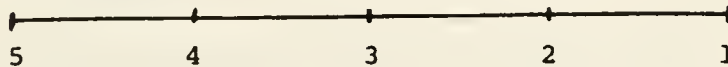
The corporate planning system is intended primarily as a tool for facilitating strategic decision-making within the company and its parts, in such ways that strategic resources (funds, management talent, etc.) can be allocated to facilitate strategic change in accordance with paths set out for desirable strategic direction. To achieve a necessary decision-orientation and commitment to planning can be frustrated by factors such as lack of specific resolution of alternatives in the form of deciding on a particular alternative at the culmination of each planning cycle ("lack of narrowing down"), an inappropriate sequence of the steps in the planning process in that, all or some of the planning cycles for objectives-setting, strategic programming or budgeting might be carried out in parallel or in reverse sequence. A third symptom of lack of decision-making focus might be that there is an excessive degree of major forms of revisions, modifications and iterations of the type that involve going back and revising the planning cycles that have preceeded the planning cycle one is presently at. (Say, when time comes for approving the budget senior management find that they not only deem the budget to be inadequate but also that the preceeding objectives and/or strategic programs will have to be revised.)

Rating

To what extent does the corporate planning system which promotes a strategic decision-making focus, centered around the deployment of the company's scarce resources?

The corporate planning system is highly decision-oriented in its focus

The corporate planning system is not decision-oriented in its focus

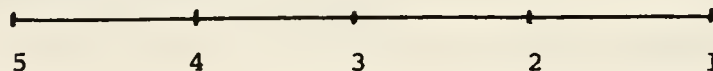
19. Logic and Clarity of Overall Corporate Planning Approach.

To what extent are the various elements of the corporate planning process, cycles and/or strategic levels, tied together within a logical, explicit, simple and understandably conceptual framework? In this respect, are the various "bits and pieces" of the planning system logically and consistently tied together? Are there "discontinuities" in the flow-diagram for the planning process?

Rating

This is an overall planning framework which is logical and consistent

This is not an overall planning framework which is logical and consistent

C. Linkages of the Elements of the Corporate Planning System.

This third part of the general assessment of the design of the corporate planning system attempts to judge whether the linkages between the various elements of the system are such that the task of developing a plan can be achieved. Specifically we shall attempt to establish the roles of three types of linkage design devices; timing linkage - the patterns of



time-spending on various aspects of planning; organizational linkage - the pattern of division of labor in carrying out the various aspects of planning among various executive offices; and, content linkage - the pattern of transformation of focus on planning substance from one cycle of planning to another. We shall address the various linkage issues in terms of their intended impact for adaptation as well as for integration. The linkage devices might be designed to impact the corporate portfolio level or the divisional business level.

20. Timing Linkage; Corporate Portfolio Level and Adaptation-Related.  
(Time spent on Cycle One)

When making an assessment of the planning-related time-spending pattern that the C.E.O. and his senior line corporate management will be following, as dictated by the way that the corporate planning system has been designed, please indicate the relative amount of time that this senior management group spends on the development of objectives, deciding "where to go" (cycle one) compared with the time spent on development of strategic programs and budgets, deciding on "how to get there" (cycles two and three). Also, indicate the relative time that the C.E.O. and his senior corporate line management spend on being involved in aspects of monitoring progress towards objectives versus towards strategic programs and budgets, these aspects of monitoring being for instance, tracking of selected environmental factors, evaluating the potential significance of deviations of these, and/or developing ways of modifying the company's objectives.



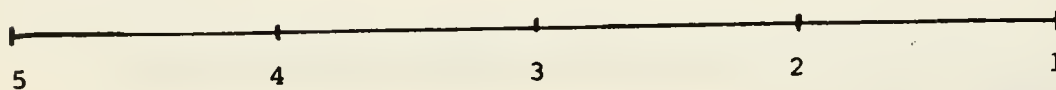
Rating

What is the relative amount of time that the C.E.O. and his senior corporate line executives spend on highly adaptation-related aspects of planning, namely on objectives setting and objectives-fulfillment monitoring- versus on the other aspects of planning?

A much higher  
relative amount  
of time spent  
on adaptation/  
objectives-  
related aspects  
of planning

A even rel-  
ative amount  
of time spent  
on adaptation/  
objectives-  
related aspects  
of planning

A much lesser  
relative amount  
of time spent  
on adaptation/  
objectives-  
related aspects  
of planning



21. Timing Linkage; Corporate Portfolio Level and Integration-Related.

(Time spent on Cycle Three)

When making an assessment of the planning-related time-spending pattern that the C.E.O. and his senior line corporate management will be following, as dictated by the way that the corporate planning system has been designed, please indicate the relative amount of time that this senior management group spends on the development of near-term budgets, (cycle three), compared with the time spent on the development of objectives (cycle one) and of strategic programs (cycle two). Also, indicate the relative time that the C.E.O. and his senior corporate line managers spend on being involved in aspects of monitoring progress towards budgets versus towards objectives and strategic programs, these aspects of monitoring being for instance, tracking of performance against budget, evaluating the potential significance of selected budget deviations, and/or developing ways of modifying the company's budgets.

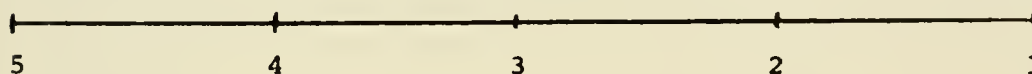
Rating

What is the relative amount of time that the C.E.O. and his senior corporate line executives spend on highly integration-related aspects of planning, namely on the setting of budgets and on monitoring of progress towards budget fulfillment - versus on the other aspects of planning?

A much higher relative amount of time spent on integration/budget-related aspects of planning

An even relative amount of time spent on integration/budget-related aspects of planning

A much lesser relative amount of time spent on integration/budget-related aspects of planning



22. Timing Linkage; Divisional Business Level and Adaptation-Related.

(Time Spent on Cycle One)

When making an assessment of the planning-related time-spending pattern that division managers will be following as dictated by the way that the corporate planning system has been designed, please indicate the relative amount of time that a division manager spends on the development of objectives, cycle one, compared with the time spent on development of strategic programs and budgets, cycles two and three. Also, indicate the relative time that the division manager spends on being involved in aspects of monitoring progress towards objectives versus towards strategic programs and budgets, these aspects of monitoring being for instance, tracking of selected environmental factors, evaluating the potential significance of deviations of these, and/or developing ways of modifying the business' objectives.

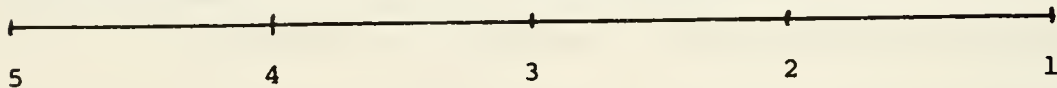
Rating

What is the relative amount of time that a division manager spends on highly adaptation-related aspects of planning, namely on objectives setting and objectives-fulfillment monitoring - versus on the other aspects of planning?

A much higher relative amount of time spent on adaptation/objectives-related aspects of planning

An even relative amount of time spent on adaptation/objectives-related aspects of planning

A much lesser relative amount of time spent on adaptation/objectives-related aspects of planning



23. Timing Linkage; Divisional Business Level and Integration-Related.

(Time Spent on Cycle Three)

When making an assessment of the planning-related time-spending pattern that a division manager will be following, as dictated by the way that the corporate planning system has been designed, please indicate the relative amount of time that the division manager spends on the development of near-term budgets (cycle three), compared with the time spent on the development of objectives (cycle one) and on strategic programs (cycle two). Also, indicate the relative amount of time that the division manager spends on being involved in aspects of monitoring progress towards budgets versus towards objectives and strategic programs, these aspects of monitoring being for instance, tracking of performance against budget, evaluating the potential significance of selected budget deviations, and/or developing ways of modifying the division's budget.

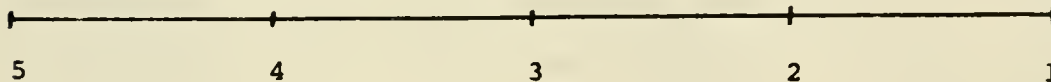
Rating

What is the relative amount of time that a division manager spends on highly integration-related aspects of planning, namely on the setting of budgets and on monitoring of progress towards budget fulfillment- versus on the other aspects of planning?

A much higher relative amount of time spent on integration/ budget-related aspects of planning

An even relative amount of time spent on integration/ budget-related aspects of planning

A much lesser relative amount of time spent on integration/ budget-related aspects of planning



24. Organizational Linkage. Corporate Planner versus Corporate Controller.

The corporate planner (the executive who is responsible for the design, maintenance and implementation of the corporate planning system) might also be responsible for the budgeting and monitoring functions. Please assess the extent to which he is at a much higher level of organizational prestige and influence than the corporate controller.

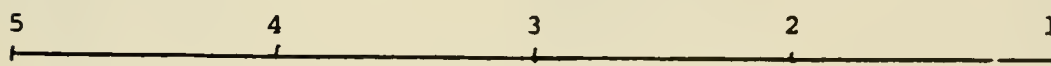
Rating

The corporate planner is ranked organizationally more/less influential than the corporate controller.

The corporate planner is much more influential

The corporate planner and controller have about equal influence

The corporate controller is much more influential



25. Organizational Linkage. Corporate Planner's Responsibility of Incentive Schemes.

The corporate planner may or may not have direct responsibility for managing all or part of the management incentive scheme. Please assess the extent to which he is responsible for managing and administering all or part of the management incentives.

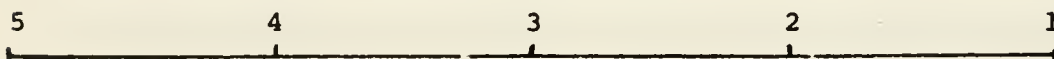
Rating

The corporate planner is also responsible for managing all or part of the management incentive system.

The corporate planner is heavily responsible for the management incentive system

The corporate planner is somewhat responsible for the management incentive system

The corporate planner is not responsible for the management incentive system



26. Content Linkage - Past vs. Present Plans.

Last year's (and previous years') planning documents might to a larger or lesser degree be referred back to when this year's plans are being developed and/or reviewed. Please assess the extent to which previous years' plans are being of influence as vehicles for questioning changes in direction, checking unrealistic assumptions, etc.



Rating

The previous years' planning documentation is being referred to extensively when this year's plans are being developed/reviewed, and the present plans are extensively being reconciled with the past ones.

Past plans  
are extensively  
influencing  
present plans

Past plans  
are playing  
some influence  
on present plans

Past plans  
are not playing  
much influence  
on present plans

5                      4                      3                      2                      1

---

27. Content Linkage - Executives' Roles in Past Planning

There typically is a relatively small number of medium- to senior-level line executives in a company that are de facto responsible for most of the strategic decisions that are being taken as part of the planning process. Many of these executives were also instrumental in strategic decisions associated with planning in the past. To what extent is an executive, formally or informally, being held responsible for his past "track record" of strategic decisions, i.e. "have to live with" his past successes and/or failures?

Rating

A manager's substantive involvement with planning decisions in past years' planning efforts rate heavily as part of his image and esteem in the company.

The past years'  
planning perfor-  
mance by the  
manager rate  
heavily in his  
career

The past years'  
planning perfor-  
mance by the  
manager rate  
somewhat in his  
career

The past years'  
planning perfor-  
mance by the  
manager rate  
little in his  
career

5                      4                      3                      2                      1

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#### Section IV

##### Line Managers' Perceptions about the Corporate Planning System.

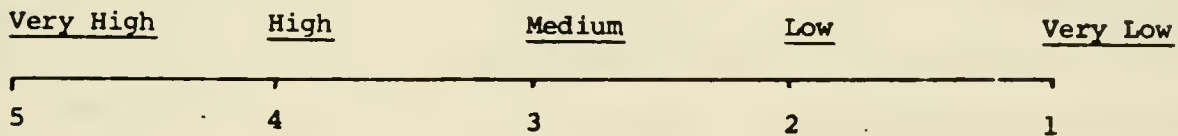
The following questions should be asked by line managers, either at corporate level (ideally the C.E.O.) or/and at the division level (ideally the division vice president). You may also want to ask this set of questions to general managers at the group level (ideally the group vice president) and at the Strategic Business Level (ideally the SBU manager). For comparison reasons the questions asked from all the line managers, the "users" of the corporate planning system, will be the same; please stress that each manager should answer from the perspective of his own organization unit and not the entire company. Please complete a separate scoring sheet for each line manager that you get access to for an interview. Please make sure to determine title and position for each subject interviewed (president/C.E.O.; group vice president; division vice president; SBU manager).

##### 1-A. Needs for Objectives-Setting.

To what extent do you feel that there is a strong need for frequent modifications and/or changes in the objectives of your organizational unit, due to such reasons that new opportunities and/or threats seem to emerge frequently, so that such changes in the environment make it difficult to develop a set of objectives, a strategy for where to go, which might have been much more permanent. You should attempt to assess your need for

more frequent objectives-setting/revision as a function of the degree of environmental change in your relevant environment, compared with other organizations you might think of.

The needs for  
frequent revisions  
of objectives is



1-B. Assistance from Corporate Planning System in Objectives-Setting.

To what extent do you feel that the corporate planning system is useful in facilitating your efforts to develop useful objectives for your organization unit, to help you respond meaningfully to your needs? In this respect what is useful is probably a system which allows you to focus on the relevant issues, variables, data and measurements and with a meaningful degree of detail. It is probably neither useful to either have to work with a planning system which focusses on an irrelevant set of issues, variables, data and measurements, and/or goes in too little detail, or, alternatively, to work with a system which is too elaborate for the task in terms of detail and complexity of data to be generated and issues and analyses that have to be considered.

Corporate planning  
is too elaborate  
for the objectives-  
setting task that we

The corporate planning  
system is well-suited  
for the objectives-  
setting task that we  
have

The corporate planning  
system is inadequate  
for the objectives-  
setting task that we  
have

"Overpowering"

"Appropriate"

"Inadequate"

4

3

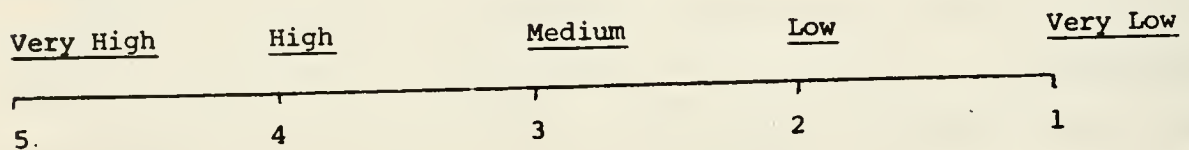
2

1

## 2-A. Strategic Programming Needs.

To what extent do you feel that there is a strong planning need for developing new strategic programs, maintaining existing programs and reinforcing an emphasis on "how to get there." You should attempt to assess your need for more emphasis on strategic programming as a function of the degree of complexity in the task of developing new strategic programs, both in terms of exposure to environmental turbulence as well as in terms of internal interdependencies, and compare yourself with other organizational units you might think of.

The needs for  
strategic pro-  
gramming is



## 2-B. Assistance from Corporate Planning System in Strategic Programming.

To what extent do you feel that the corporate planning system is useful in facilitating your efforts to develop useful strategic programs for your organizational unit, to help you respond meaningfully to your needs? In this respect what is useful is probably a system which allows you to focus on the relevant issues, variables, data and measurement and with a meaningful degree of detail. It is probably neither useful to either have to work with a planning system which focusses on an irrelevant set of issues, variables, data and measurements, and/or goes in too little detail, or, alternatively, to work with a system which is too elaborate for

the task in terms of detail and complexity of data to be generated and issues and analyses that have to be considered.

Corporate planning  
system is too elaborate  
for the strategic  
programming task that  
we have

The corporate planning  
system is well suited  
for the strategic pro-  
gramming task that  
we have

The corporate planning  
system is inadequate  
for the strategic pro-  
gramming task that  
we have

powering"

"Appropriate"

"Inadequate"

4

3

2

1

### 3-A. Needs for Budgeting.

To what extent do you feel that there is a strong need for an integration and coordination of the diverse aspects of your ongoing activities, and consequently to rely extensively on the use of budgets as "action plan" vehicles, so that efficient operations can be achieved? You should attempt to assess your need for more emphasis on and reliance on budgets as a function of the degree to which your internal strengths and/or weaknesses need to be coordinated/integrated, again comparing yourself with other organizations you might think of.

The need for  
strong emphasis  
on budgeting is

Very High

High

Medium

Low

Very Low

5

4

3

2

1

### 3-B. Assistance from the Budgeting Segment of the Corporate Planning System in Achieving Budgets.

To what extent do you feel that the budgeting segment of the corporate planning system is useful in facilitating your efforts to develop useful budgets for your organization unit, to help you respond meaningfully to your needs? In this respect what is useful is probably a system which

allows you to focus on the relevant issues, variables, data and measurements and with a meaningful degree of detail. It is probably neither useful to either have to work with a planning system which focusses on an irrelevant set of issues, variables, data and measurements, and/or goes in too little detail, or, alternatively, to work with a system which is too elaborate for the task in terms of detail and complexity of data to be generated and issues and analyses that have to be considered.

The budgeting system is too elaborate for the task of development of budgets that we have

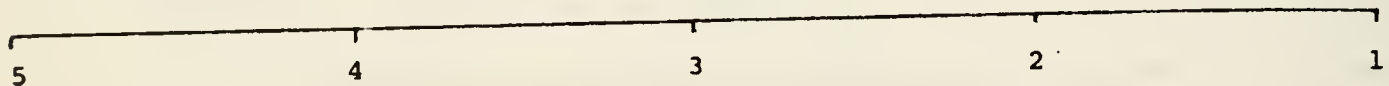
The budgeting system is well suited for the task of development of budgets that we have

The budgeting system is inadequate for the task of development of budgets that we have

"Overpowering"

"Appropriate"

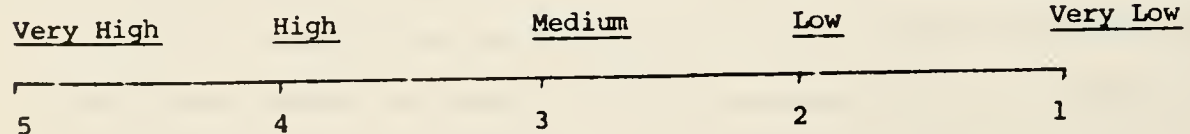
"Inadequate"



#### 4-A. Needs for Monitoring of Progress towards Objectives Fulfillment - Environmental Factor Monitoring.

To what extent do you feel that there is a strong need for a monitoring of progress towards objectives, say by focussing primarily on selected environmental factors so that objectives can be modified more quickly when needed. You should attempt to assess your need for more emphasis on monitoring environmental factors as a function of the degree of change that seem to be taking place in your relevant environment, again comparing yourself with other organizations you might think of.

The need for monitoring environmental factors is





4-B. Assistance from the Corporate Planning System in Monitoring Progress towards Objectives/Environmental Factors.

To what extent do you feel that the monitoring/control system segment of the corporate planning system is useful in facilitating your efforts in monitoring developments in relevant environmental factors for assessing the continued relevance of your objectives, i.e. to help you respond meaningfully to your needs? In this respect what is useful is probably a system which allows you to focus on the relevant issues, variables, data and measurements and with a meaningful degree of detail. It is probably neither useful to either have to work with a planning system which focusses on an irrelevant set of issues, variables, data and measurements, and/or goes in too little detail, or, alternatively, to work with a system which is too elaborate for the task in terms of detail and complexity of data to be generated and issues and analyses that have to be considered.

monitoring/ control system too elaborate for the task of monitoring en- vironmental factors that we have	The monitoring/ control system is well suited for the task of monitoring en- vironmental factors that we have	The monitoring/ control system is inadequate for the task of monitoring en- vironmental factors that we have
"powering"	"Appropriate"	"Inadequate"
4	3	2
		1

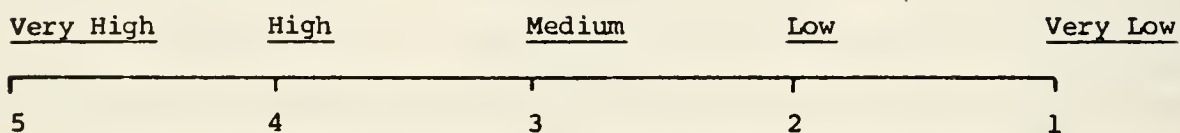
5-A. Needs for Monitoring of Progress towards Budgets Fulfillment.

To what extent do you feel that there is a strong need for a monitoring of progress towards budgets, say be focussing primarily on selected budget deviation factors, so that the budgets can be modified more quickly



when needed. You should attempt to assess your need for more emphasis on monitoring budget deviation factors as a function of the degree of broader change that may occur in your internal operations as a consequence of selected changes in your budget assumptions, again comparing yourself with other organizations you might think of.

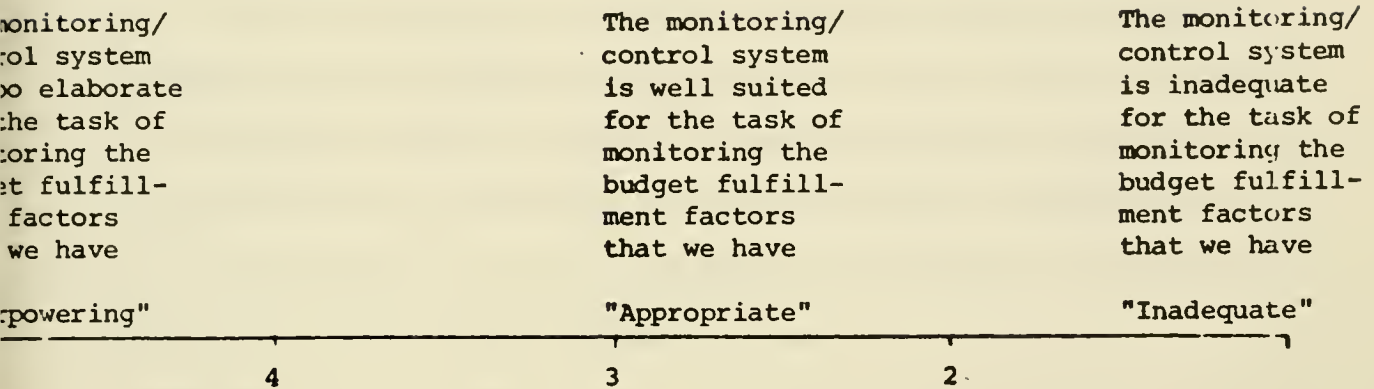
The need for  
monitoring  
budget ful-  
fillment  
progress is



5-B. Assistance from the Corporate Planning System in Monitoring Progress towards Budgets.

To what extent do you feel that the monitoring/control segment of the corporate planning system is useful in facilitating your efforts in monitoring relevant developments towards the fulfillment of the budget, i.e. to help you respond meaningfully to your needs? In this respect what is useful is probably a system which allows you to focus on the relevant issues, variables, data and measurement and with a meaningful degree of detail. It is probably neither useful to either have to work with a planning system which focusses on an irrelevant set of issues, variables, data and measurements, and/or goes in too little detail, or, alternatively, to work with a system which is too elaborate for the task in terms of detail

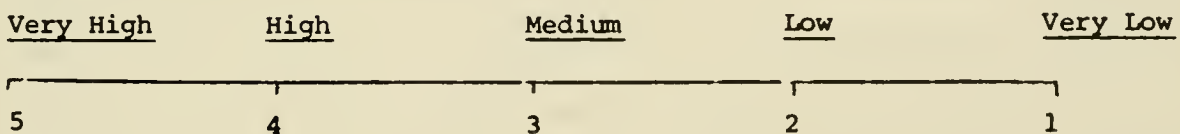
and complexity of data to be generated and issues and analyses that have to be considered.



6-A. Needs for Management Incentivating towards Objectives Fulfillment.

To what extent do you feel that there is a strong need towards formally incentivating managers like yourself towards attempting to fulfill long-term objectives-achieving performance? You should attempt to assess your need for more emphasis on long-term management incentives as a function of your company's dependence on systematically following a long-term objectives-fulfillment strategy, again comparing yourself with other organizations you might think of.

The need for  
management in-  
centives tied  
into long-  
term objec-  
tives ful-  
fillment  
attempts is



6-B. Assistance from the Corporate Planning System in Incentivating Management Performance towards Long-Term Objectives Fulfillment.

To what extent do you feel that the management incentives segment of the corporate planning system is useful in facilitating your efforts to incentivate managers such as yourself towards attempting to bring about progress towards long-term objectives fulfillment? In this respect what is useful is probably a system which allows you to focus on the relevant issues, variables, data and measurements and with a meaningful degree of detail. It is probably neither useful to either have to work with a planning system which focusses on an irrelevant set of issues, variables, data and measurements, and/or goes in too little detail, or, alternatively, to work with a system which is too elaborate for the task in terms of detail and complexity of data to be generated and issues and analyses that have to be considered.

The Management Incentives System is too elaborate for the task of incentivating managers towards long-term objectives fulfillment

The Management Incentives System is well suited for the task of incentivating managers towards long-term objectives fulfillment

The Management Incentives System is inadequate for the task of incentivating managers towards long-term objectives fulfillment

"Overpowering"

"Appropriate"

"Inadequate"

5

4

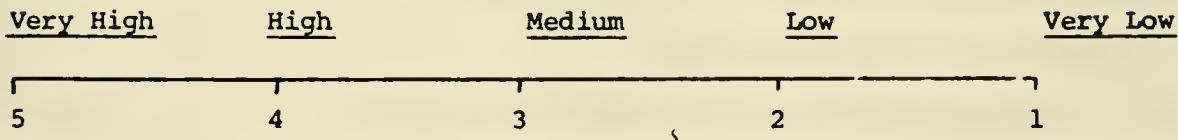
3

2

7-A. Needs for Management Incentivating towards Budget Fulfillment.

To what extent do you feel that there is a strong need towards formally incentivating managers like yourself towards attempting to fulfill shorter-term budgets-achieving performance? You should attempt to assess your need for more emphasis on shorter-term management incentives as a function of your company's dependence on systematically emphasizing a shorter-term budgets fulfillment strategy, again comparing yourself with other organizations you might think of.

The need for  
management  
incentives  
tied into  
shorter-term  
budget ful-  
fillment  
attempts is



7-B. Assistance from the Corporate Planning System in Incentivating Management Performance towards Shorter-Term Budget Fulfillment.

To what extent do you feel that the management incentives segment of the corporate planning system is useful in facilitating your efforts to incentivate managers such as yourself towards attempting to bring about progress towards shorter-term budget fulfillment? In this respect what is useful is probably a system which allows you to focus on the relevant issues, variables, data, and measurements and with a meaningful degree of detail. It is probably neither useful to either have to work with a planning system which focusses on an irrelevant set of issues, variables,

data and measurements, and/or goes in too little detail, or, alternatively, to work with a system which is too elaborate for the task in terms of detail and complexity of data to be generated and issues and analyses that have to be considered.

The Management Incentives System is too elaborate for the task of incentivizing managers towards shorter-term budget fulfillment

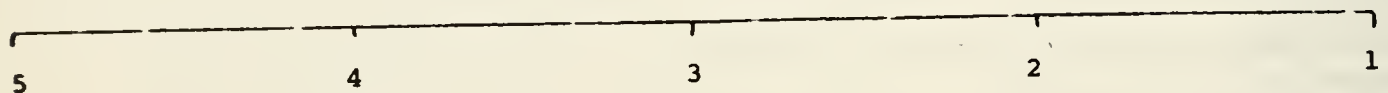
The Management Incentives System is well suited for the task of incentivizing managers towards shorter-term budget fulfillment

The Management Incentives System is inadequate for the task of incentivizing managers towards shorter-term budget fulfillment

"Overpowering"

"Appropriate"

"Inadequate"



#### 8-A. Needs for Strategic Resource Allocation Focus.

To what extent do you feel that there is a strong need for emphasizing a focus on how to allocate the company's critical strategic resources - funds, skilled management talent, and so on - as part of your company's corporate planning activities. You should attempt to assess your need for more emphasis on critical resource allocation choices as a function of the degree of shortage of such shortages in your firm, again comparing yourself with other organizations you might think of.

The need for a heavy focus on strategic resource allocation decisions as part of your planning is

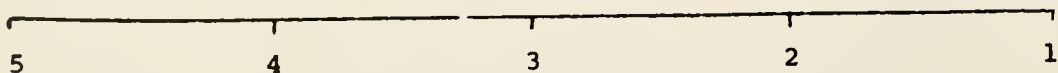
Very High

High

Medium

Low

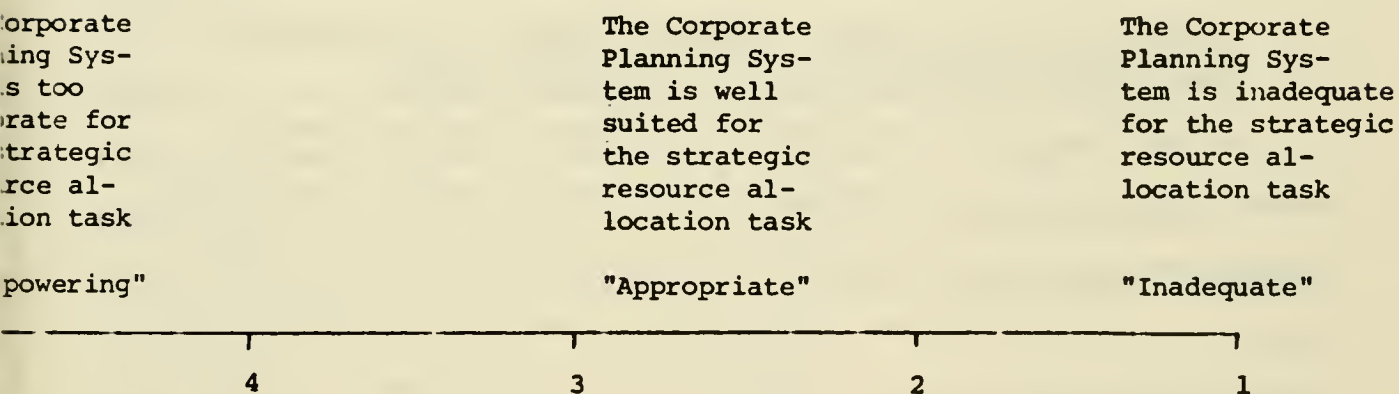
Very Low





### 8-B. Assistance from Corporate Planning in Strategic Resource Allocation.

To what extent do you feel that the corporate planning system is useful in facilitating your efforts to make useful strategic resource allocation decisions? In this respect what is useful is probably a system which allows you to focus on the relevant issues, variables, data and measurements and with a meaningful degree of detail. It is probably neither useful to either have to work with a planning system which focusses on an irrelevant set of issues, variables, data and measurements, and/or goes in too little detail, or, alternatively, to work with a system which is too elaborate for the task in terms of detail and complexity of data to be generated and issues and analyses that have to be considered.



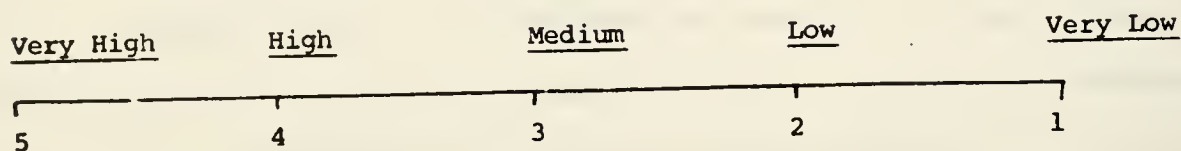
### 9-A. Need for Energy Focus in Planning.

To what extent do you feel that there is a strong need for an explicit emphasis on energy-related assumptions when it comes to your strategic planning, in the form of energy's role as explicit assumptions underlying the strategies you are following? You should attempt to assess your need for more explicit emphasis on energy-related assumptions in your planning as a function of the degree of exposure that you feel your



organization's strategies is having to shift in this factor in your environment, positive as well as negative. Again, compare yourself with other companies you might think of.

The need to focus on energy as critical environmental assumptions in planning is



9-B. Assistance from the Corporate Planning System in Incorporating Energy-Related Assumptions in Your Strategic Planning.

To what extent do you feel that the corporate planning system is useful in facilitating your efforts to incorporate an energy-related outlook and assumptions in your planning? In this respect what is useful is probably a system which allows you to focus on the relevant issues, variables, data and measurements, and/or goes in too little detail, or, alternatively, to work with a system which is too elaborate for the task in terms of detail and complexity of data to be generated and issues and

analyses that have to be considered.

Corporate ning System oo elaborate the task of rporating gy-related es in the tegic plans  rpowering"	The Corporate Planning System is well suited for the task of incorporating energy-related issues in the strategic plans  "Appropriate"	The Corporate Planning System is inadequate for the task of incorporating energy-related issues in the strategic plans  "Inadequate"
4	3	2
		1

10-A. Need for a Firm Management of the Direction that the Corporate Planning System is Going.

To what extent do you feel that there is a strong need for a firm and managed sense of direction for the direction in which the corporate planning system should be developed, so that a useful focus can be maintained for how to improve on the planning system. You should attempt to assess this based on your feeling about how well an adequate managerial focus is being put on and strong enough managerial talent is being allocated to developing the corporate planning system.

The need for a strong focus on managing the planning system; "a plan for planning" is

<u>Very High</u>	<u>High</u>	<u>Medium</u>	<u>Low</u>	<u>Very Low</u>
5	4	3	2	1

10-B. Assistance from the Corporate Planning System in Developing a Sense of Direction for the System's Own Development.

To what extent do you feel that the corporate planning system has provided for an "institutionalization" of its own development plan, so that new aspects of planning seem to be provided for in an orderly way and that useless "underbrush" is being "weeded out" of the planning system? In this respect what is useful is probably a system which allows you to focus on the relevant issues, variables, data and measurement and with a meaningful degree of detail. It is probably neither useful to either have to work with a planning system which focusses on an irrelevant set of issues, variables, data and measurements, and/or goes in too little detail, or, alternatively, to work with a system which is too elaborate for the task in terms of detail and complexity of data to be generated and issues and analyses that have to be considered.

The "Plan for Planning" is too elaborate for the task of managing the evolution of the Corporate Planning System

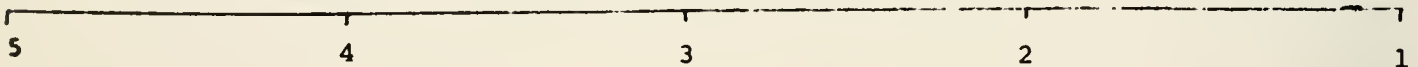
"Overpowering"

The "Plan for Planning" is well suited for the task of managing the evolution of the Corporate Planning System

"Appropriate"

The "Plan for Planning" is inadequate for the task of managing the evolution of the Corporate Planning System

"Inadequate"



## Section V

### Approaches to Specific Aspects of Planning: Energy's Role in Planning; Management Incentive Schemes; Plan for Planning.

In this section we shall discuss the three specialized topical areas that are part of this study, namely energy's role in planning, the role of management incentives schemes, and the management of the "plan for planning" effort. Most of the questions raised should be addressed to the corporate planner; however, the corporate planner might direct the researcher to other staff members who might specialize in the topical areas in question, and that the corporate planner therefore deems it useful for the researcher to see. Please notice that a substantial part of the information that will be needed for the analysis of the three topical areas of concern has already been asked in previous sections; hence, given that we do not want to be repetitious, it should not confuse you that this section might appear to be "incomplete."

#### A. Energy - Portfolio Level

This section (Question groups 1-4 below) refers to the corporate portfolio level's handling of energy as a factor in its planning. All questions should be interpreted from a portfolio perspective.

1. To what extent has the energy situation resulted in revisions in your own portfolio strategy:

a) Acquisition of new businesses and/or divestiture.

- To what extent has the energy situation resulted in the acquisition of businesses where energy-considerations would be a major attractiveness concern.

. Number of energy-related acquisitions (1971-76) = 0,  
Total number of acquisitions (1971-76)

- .  $\frac{\text{Number of planned energy-related acquisitions (1977-81)}}{\text{Total number of planned acquisitions (1977-81)}} = 0,$

b) Shifts in resource allocation (be as specific as you can)

- To what extent has your energy-related products/services gotten a larger share of your corporation's capital investment funds?

- .  $\frac{\text{Allocated capital resources to energy-based business (1971)}}{\text{Allocated capital resources to all businesses (1971)}} = 0,$
- .  $\frac{\text{Allocated capital resources to energy-based businesses (1976)}}{\text{Allocated capital resources to all businesses (1976)}} = 0,$
- .  $\frac{\text{Allocated capital resources to energy-based businesses (planned 1981)}}{\text{Allocated capital resources to all businesses (planned 1981)}}$

c) To what extent has corporate allocation of R&D been shifted towards energy related issues?

- .  $\frac{\text{Allocation of Corporate R\&D to energy-related projects (1971)}}{\text{Allocation of All Corporate R\&D (1971)}} = 0,$
- .  $\frac{\text{Allocation of Corporate R\&D to energy-related projects (1976)}}{\text{Allocation of All Corporate R\&D (1976)}} = 0,$
- .  $\frac{\text{Allocation of Corporate R\&D to energy-related projects (planned 1981)}}{\text{Allocation of All Corporate R\&D (planned 1981)}}$

d) To what extent has there been a consolidation/strengthening of the corporate level's role in the purchasing of energy?

- i) The energy purchasing function has been centralized \_\_\_\_\_
- ii) The energy purchasing function remains more or less as before \_\_\_\_\_
- iii) The energy purchasing function has been decentralized \_\_\_\_\_



2. To what extent has your plan developed an explicit outlook or forecast of the energy situation in the years to come?

a) As part of your plan, done each year      Yes\_\_\_      No\_\_\_

b) Done on an ad hoc basis, special study      Yes\_\_\_      No\_\_\_

c) Qualitative outlook only vs. quantitative forecasts too

Qualitative\_\_\_      Quantitative too\_\_\_

d) Number of man-hours involved in developing forecast: \_\_\_ hours

3. To what extent do you monitor the progress of your forecast during the year between preparation of plans:

a) Government energy legislation      i) No formal monitoring      \_\_\_

ii) Monitoring, no changed forecast\_\_\_

iii) Monitoring, changed forecast\_\_\_

b) International political      i) No formal monitoring      \_\_\_

situation      ii) Monitoring, no changed forecast\_\_\_

iii) Monitoring, changed forecast\_\_\_

c) Changes in energy industry's      i) No formal monitoring      \_\_\_

technology, raw material base,      ii) Monitoring, no changed forecast\_\_\_

supply      iii) Monitoring, changed forecast\_\_\_



4. To what extent do you have prepared contingency actions in your plans which call for modifications if the energy supply should change.

a) The acquisition program, if energy forecast changes

- To be scaled up (specific contingency plans) \_\_\_\_\_
- To be scaled down (specific contingency plans) \_\_\_\_\_
- No specific change in plans have been developed \_\_\_\_\_

b) The capital resource allocation plan, if energy forecast changes

- To increase emphasis on energy-based businesses  
(specific contingency plans) \_\_\_\_\_
- To decrease emphasis on energy-based businesses  
(specific contingency plans) \_\_\_\_\_
- No specific contingency change in plans have been developed \_\_\_\_\_

c) The R&D plan for energy-related funded projects.

- To increase emphasis on energy-based businesses  
(specific contingency plans) \_\_\_\_\_
- To decrease emphasis on energy-based businesses  
(specific contingency plans) \_\_\_\_\_
- No specific contingency change in plans have been developed \_\_\_\_\_

## B. Energy - Business Level.

This section (Question groups 1-4 below) refers to the divisional business level's handling of energy as a factor in its planning. All questions should be addressed for each of the divisions that the researcher has gotten access to and interviewed in Section IV. The corporate planner, however, can probably provide most of the answers on behalf of the divisions in question.

1. To what extent has the energy situation resulted in revisions in your own business strategies:

a) New or modified products or services offered (adaptation):

- how many energy-related product changes of some substance and/or new products introduced? (relative to the rest of your product line). Are the "energy-driven" product/process changes substantial, reflecting a substantially different business attractiveness setting? To what extent does your plan anticipate such changes?

- . number of significant modifications on your product line and/or additions to your product line with energy related improvement features, relative to your overall product line.

- .  $\frac{\text{energy-related changes in product line (1971-76)}}{\text{number of products in line today}} = 0$

- .  $\frac{\text{planned energy-related changes in product line 1971-81}}{\text{number of products in line today}} = 0$

b) Changes in own processes (integration):

- to what extent has own production processes been modified so as to save energy (raw material, conservation) and also so as to institute conservation approaches across your division? What is the energy cost fraction as a percentage of sales today vs. five

year ago? What does your plan anticipate?

- .  $\frac{\text{1971 energy costs of division (raw material, process, accessory)}}{\text{1971 sales}} = 0,$
- .  $\frac{\text{1976 energy costs of division (raw material, process, accessory)}}{\text{1976 sales}} = 0,$
- .  $\frac{\text{1981 energy costs of division (raw material, process, accessory)}}{\text{1981 sales}} = 0,$

2. To what extent has your plan developed an explicit outlook of the energy situation in the years to come?

- a) As part of your plan, done each year      Yes\_\_\_ No\_\_\_
- b) Done on an ad hoc basis, special study      Yes\_\_\_ No\_\_\_
- c) Qualitative outlook only vs. quantitative forecasts too  
    Qualitative\_\_\_ Quantitative too\_\_\_
- d) Number of man-hours involved in developing forecast:      \_\_\_ hours.

3. To what extent do you monitor the progress of your forecast during the year between preparation of plans:

- a) Government energy legislation      i) No formal monitoring      \_\_\_  
    ii) Monitoring, no changed forecast\_\_\_  
    iii) Monitoring, changed forecast      \_\_\_
- b) International political situation      i) No formal monitoring      \_\_\_  
    ii) Monitoring, no changed forecast\_\_\_  
    iii) Monitoring, changed forecast      \_\_\_
- c) Changes in energy industry's      i) No formal monitoring      \_\_\_  
     technology, raw material base,      ii) Monitoring, no changed forecast\_\_\_  
     supply      iii) Monitoring, changed forecast      \_\_\_

4. To what extent do you have prepared contingency actions in your plans which call for modifications if the energy supply should change.

- a) New or modified products and/or services offered in case of changed forecasts:

- i) to be held ready for introduction Yes\_\_\_ No\_\_\_
- ii) to be withdrawn from product line Yes\_\_\_ No\_\_\_
- iii) no explicit planned modification of products previous \_\_\_

b) Changes in Own Processes in case of changed forecasts:

- i) to be held ready for introduction Yes\_\_\_ No\_\_\_
- ii) to be scaled down or closed Yes\_\_\_ No\_\_\_
- iii) no explicit planned modification of process \_\_\_\_\_

C. Management Incentives

1. To what extent does the C.E.O. get involved in deciding on the incentives for the senior corporate line executives and division managers?

To a large extent, the process is run by the C.E.O.

To some extent

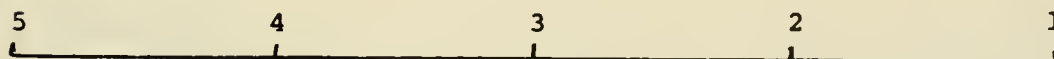
Virtually not at all



2. To what extent are incentives for the division managers and/or SBU managers based on an explicit, corporate-wide formula which delineates the criteria for earning incentives?

Based on an explicit formula

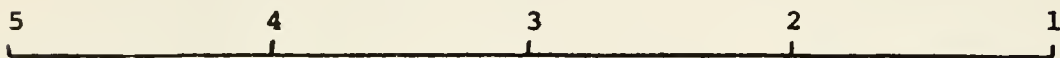
Based on no explicit formula at all



3. To what extent are incentives for the division managers and/or SBU managers given for progress towards longer-term strategic goals versus for progress towards shorter-term budget fulfillment?

Relatively heavily based on progress towards strategic goals; relatively little on progress towards short-term budgets

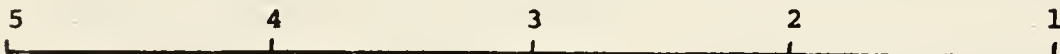
Relatively heavily based on progress towards short-term budgets; relatively little on progress towards strategic goals



4. To what extent does the corporate planning department become involved in the administering of the scheme for incentives?

The corporate planner is heavily and formally involved

The corporate planner is informal and loosely involved only

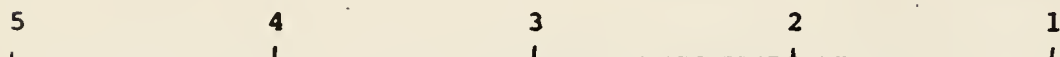


D. Managing the Evolution of the Corporate Planning System.

1. To what extent does the C.E.O. (or some of his closest corporate line associates) get involved with issues relating to modifying and improving the corporate planning system, thus, signifying that he is relatively closely familiar with the way the corporate planning system is structured and functioning.

A strong involvement and continuing interest

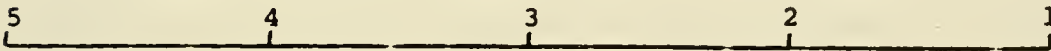
Not involved in the system design/modification at all



2. To what extent does there exist an overall plan, formal or informal, for the evolution of the company's overall strategic systems, broadly defined (planning, budgeting, monitoring, incentivating), and, also, to what extent is there a particular staff executive in the corporation that would be responsible for improving or maintaining the effectiveness of such an overall system?

There is a clear overall focus of evolution of the broad strategic system, and with one executive in charge

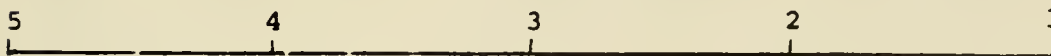
There is no clear overall focus of the evolution of the broad strategic system; no single executive is in charge



3. To what extent does there exist an overall plan, formal or informal, for the evolution of the company's corporate planning system, narrowly defined (excluding budgeting, monitoring, incentivating), and, also, to what extent is there a particular staff executive in the corporation that would be responsible for improving or maintaining the effectiveness of the corporate planning system?

There is a clear overall focus of evolution of the corporate planning system, and with one executive in charge

There is no clear overall focus of the evolution of the corporate planning system; no single executive is in charge

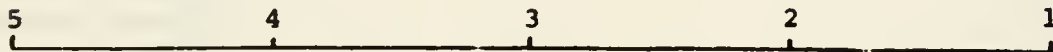




4. To what extent do initiatives and inputs from the line influence the modification and improvement of the corporate planning system, specific suggestions for improvement as well as complaints about aspects of the present system?

The line is heavily influential on the evolution of the corporate planning system

The line is not influential at all on the evolution of the corporate planning system



## Section VI

### Outline of Structure of Data Analysis.

In this section we shall give an outline of the structure of the data analysis. The purpose of this is to provide the researcher with a better understanding of how the data gathered in the various sections will be interpreted together as an overall analytical effort.

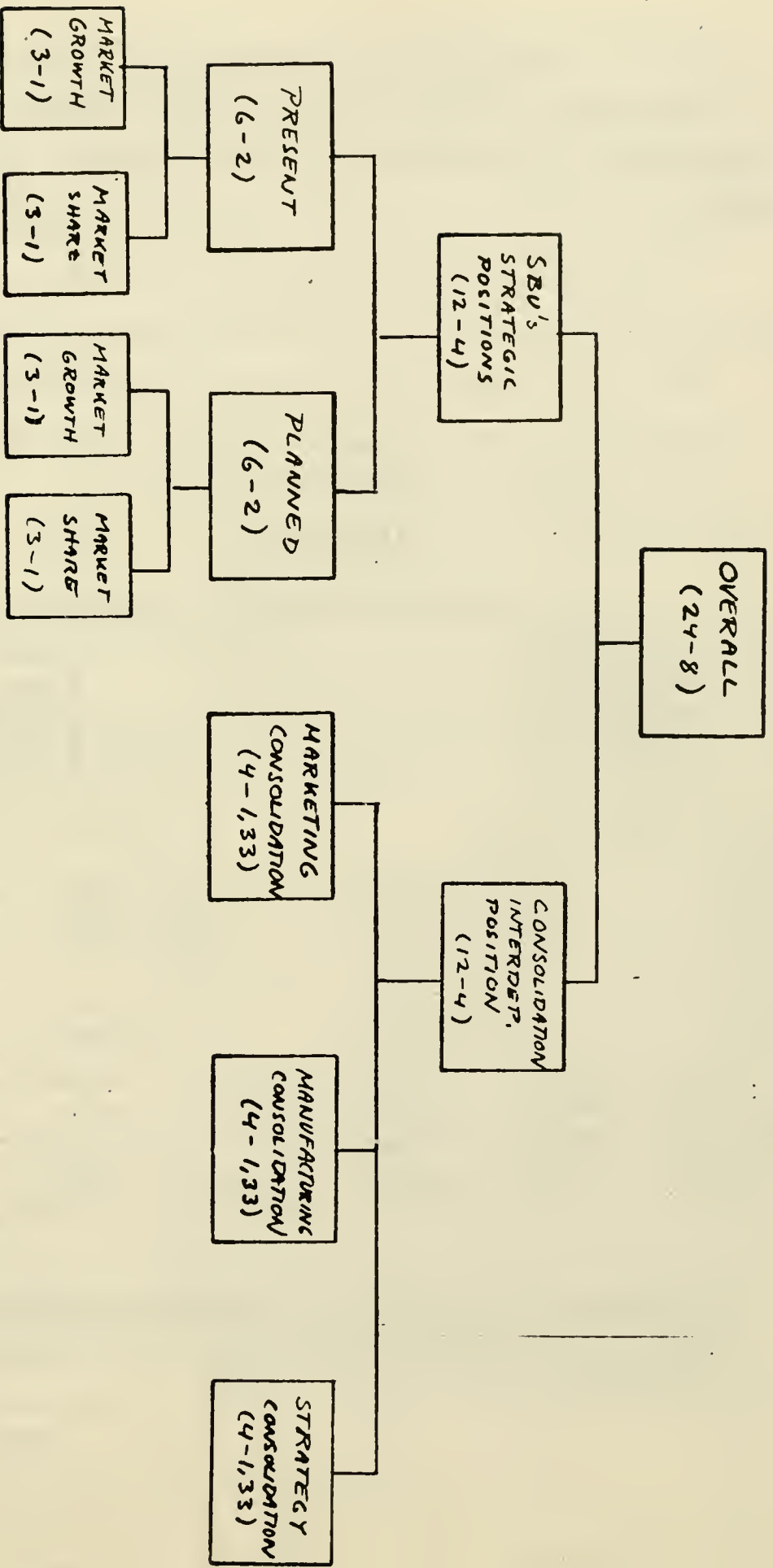
The analysis will be based on our overall sample of companies. Each company, thus, is a case. The analysis of a case consists of three major segments; an assessment of the pattern of "objective" needs and capabilities for planning, based on Sections II and III; an assessment of line managers' perceptions about planning needs and capabilities, based on Section IV; and an assessment of the interrelationships between our three specific topic areas (energy, incentives, plan for planning) and the situational settings (Section V).

### A. Outline of the "objective" needs - capability analysis.

#### 1. The planning needs analysis.

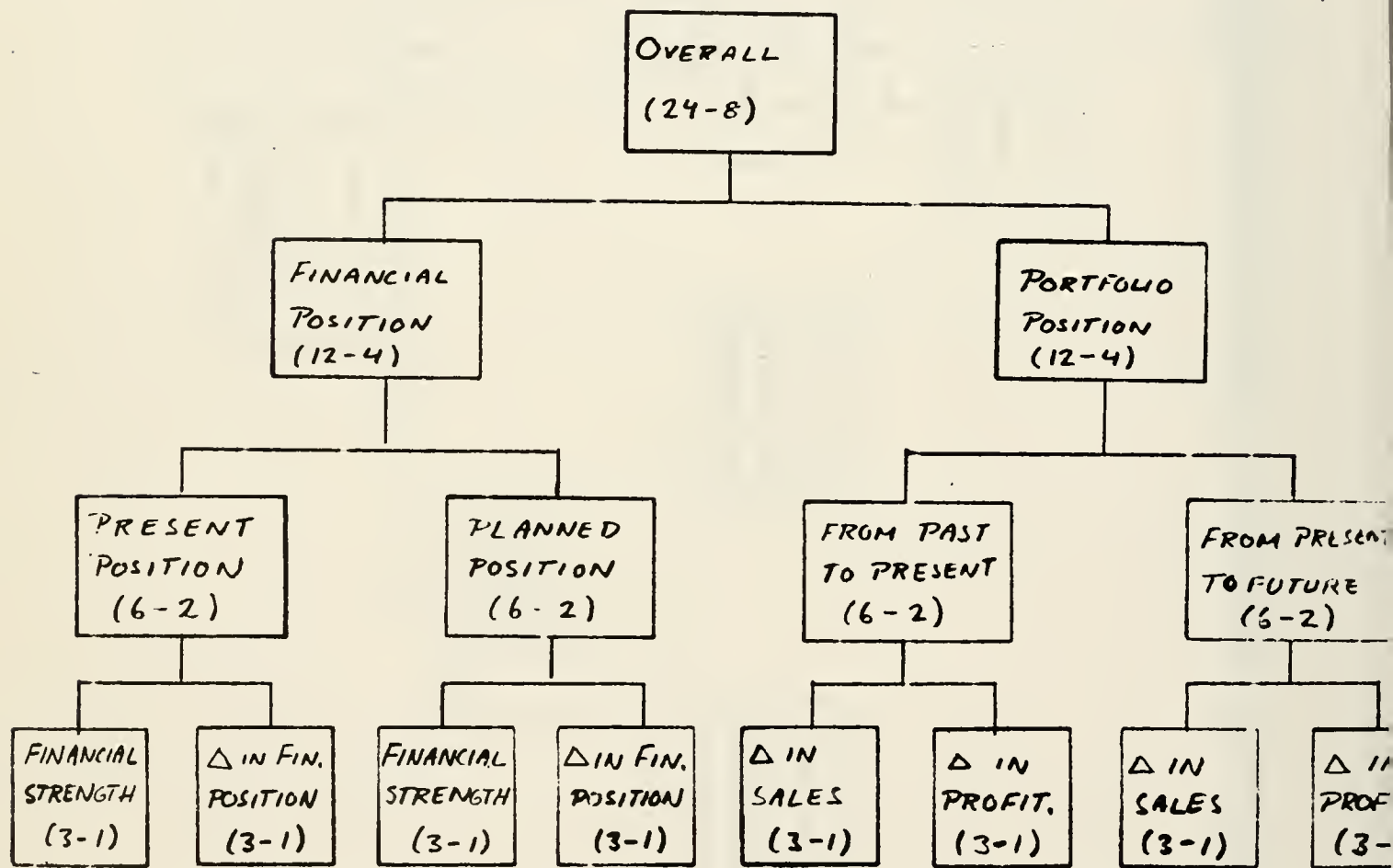
The planning needs analysis establishes the needs for adaptation as well as for integration both at the corporate as well as at the divisional/business level. At the corporate level an index of adaptive needs (and another index for integrative needs) will have a span in numerical value between 24 (high) and 8 (low). This can be broken down into two components, one which measures the needs stemming from the financial strategic position of the firm (pp. 16-17) with a span in values between 12 (high) and 4 (low), and another component which measures changes in the composition of the corporate portfolio structure (p. 20), again with a span between 12 and 4. The financial position need sub-index also can be

broken down into two components, one which relates to the needs due to the present position itself and one that relates to the needs due to the financial position to be planned for, each of these sub-indexes taking numerical values from 6 (high) to 2 (low). Each of these sub-indexes can finally be split into two components; in the case of the present financial strength sub-index, this can be broken into one element which assesses the strength itself and another which assesses the degree of change in this position, each of these sub-indexes taking numerical values from 3 (high) to 1 (low). In the following exhibit give the structure of decomposition of the corporate portfolio level adaptation needs and integration needs indexes.



The Structure of the Division/Business Need Indexes (for Adaptation, for Integration)

At the division level there is also an index which measures the overall planning needs. The structure of this index is composed as follows, with the ranges of the numerical values of the sub-indexes given in the brackets.



The Structure of the Corporate Need Indexes for Adaptation.

(Note that for Integration the exhibit would have to be modified when it comes to the boxes marked \* where we would have substitute in  $\Delta$  employees, and \*\* with  $\Delta$  funds flow)

## 2. The Capability Analysis, the Corporate Planning System.

The corporate planning system consists of several design elements that taken together are intended to have particular effects on the overall system's capabilities. These factors fall into three groups, the way we have stated them in Section III, namely, design items of the system (items 1-15), general requirement items for proper systems design (items 16-19), and linkage items for holding the system together (items 20-27). The following table provides an indication of how we expect each of these 27 items to impact the corporate and/or division level's capability for adaptation and/or integration. We shall use this table as a basis for developing indexes of adaptation and integration capabilities.

Numbering Corresp. to Section III)	Corporate		Divisional/Business	
	Adaptation	Integration	Adaptation	Integration
e C.E.O.'s initiation of process	✓		✓	
assessment of business opportunities and/or threats.	✓		✓	
portfolio view of "where" to go	✓			
corporate resolution of "where" to go	✓		✓	
v./Bus. level strat. programming				✓
corp. level acquisition-related strat. program.		✓		
corp. resolution of "how to get there."		✓		
preparation of budgets				✓
resource allocation to budgets		✓		
monitoring against short-term perf.		✓		✓
monitoring strategic program fulfillment.				✓
monitoring fulfillment of objectives	✓		✓	



13. Incentives tied to budget fulfillm.		✓		✓
14. Incentives tied to strat. progrm. fulfillm.				✓
15. Incentives tied to obj. fulfillm.	✓		✓	
16. "Compressing" of planning cycles	✓	✓	✓	✓
17. Role of functions during obj.-setting	✓		✓	
18. Decision-making focus of corp. plng. syst.	✓	✓	✓	✓
19. Logic/Clarity of overall plug approach	✓	✓	✓	✓
20. Timing Linkage: Corp./Adapt.	✓			
21. Timing Linkage: Corp./Integr.		✓		
22. Timing Linkage: Div./Adapt.			✓	
23. Timing Linkage: Div./Integr.				✓
24. Org. Linkage: Planner-Controller	✓ vs.	✓		
25. Org. Linkage: Planner-Incentives	✓ vs.	✓	✓ vs.	✓
26. Content Linkage: Past-Present plans			✓	✓
27. Content Linkage: Executives' accountability			✓	✓
Sub Total, Design Step Items (1-15)	6	5	5	6
Sub Total, General Req. Items (16-19)	4	3	4	3
Sub Total, Linkage Items (20-27)	3	3	4	4
Total	13	11	13	13

## B. Outline of the Users' Perceptions Analyses

Section IV indicates the perceptions of line managers about planning needs and capabilities. Thus, one analysis should be carried out for each line manager. The manager's position in the corporate hierarchy will then indicate whether a particular finding is relevant at the corporate or division/business level.

In Section IV the last two questions deal with the special topic issues (Sec. V) and will be dealt with in the analysis of these issues. Items 1 through 8, however, relate to adaptation- or integration-related issues of needs (A-parts) or capabilities (B-parts). The following table will provide the basis for the development of indexes for perceived needs and capabilities for adaptation and integration.

Item	Adaptation	Integration
1. Objectives-Setting	✓	
2. Strategic Programming Needs		✓
3. Needs for Budgeting		✓
4. Needs for Monitoring of Env. factors	✓	
5. Needs for Monitoring of Budget Fulfillm.		✓
6. Needs for Incentives towards Obj.	✓	
7. Needs for Incentives towards Budget		✓
8. Needs for Strategic Resource Alloc. Focus	✓	


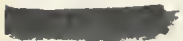

## C. Analysis of special issue factors (Section V)

These factors will be analyzed in a cross-tabular mode against the situational factors found during steps A and B of the analysis.





BASEMENT  
Date Due

	MAY 15 1986	
	MAY 30 1990	
	JUN 30 1990	
DEC 7 1984	MAR 19 1992	
DEC 16 1985		
DEC 31 1985		
		
OCT 9 1986		
FEB 03 1987		
APR 24 1990		

Lib-26-67

DATE  
MAR 1992

MAR

HD28.M414 no.963- 77  
Rhoades, Richa/A correlation of R&D la  
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3 9080 001 068 433

HD28.M414 no.964- 77  
Lorange, Peter/An analytical scheme fo  
745177 D\*BKS 00142876



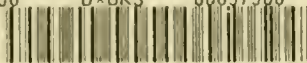
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735249 D\*BKS 00057501



3 9080 001 100 541

HD28.M414 no.974 78  
Lilien, Gary L/ADVISOR 1 :  
745181 D\*BKS 00142877



3 9080 002 124 029



